

NEWS SUMMARY

Back to 'work' all at BC
television riggers and others whose strike action hit the broadcasts and recording of other programmes will be asked by union leaders to return to work today to return to work.

Equities down 12 on profit-taking
● EQUITIES reacted to fairly sizeable profit-taking after the boom of the past week, coinciding with a lull in buying by the institutions. The FT Ordinary Index closed 12.7 down at 586.6, as many of the industrial leaders closed at the day's worst.
● GILTS weakened and the Government Securities Index fell 0.19 to 12.64.
● STERLING fell 15 points to \$2.0395 but its trade-weighted index rose to 65.3 (65.0), helped by London interest rates. The dollar's depreciation narrowed to 8.3 per cent (8.4).
● GOLD rose \$1½ to \$240½ in London.
● LEAD prices rose to an all-time high in London with cash lead up 55 at \$608 a tonne. P.23

Lead cash metal
time high in London with cash lead up 55 at \$608 a tonne. P.23

WALL STREET was 6.32 up
before the close.
● GEC has confirmed a \$2m Eurosterling bond issue. The 10-year stock carries a coupon of 12½ per cent.
● BUILDING SOCIETY net receipts for February were £231m, £58m down on January and the lowest for six months. The figures were however better than expected a month ago, and may mean that mortgage lending may not have to be cut back. Back Page.

Money supply growth eases
● MONEY SUPPLY growth slackened during February, following large sales of gilt-edged stock. Bank lending to the private sector appears to have been buoyant, because of strikes and the bad winter, so it is likely that the underlying expansion of the money supply remained above the upper end of the Government's target range. Back Page, tables Page 26.

BL has put up for sale its
commercial refrigeration subsidiary, Prestcold. The decision increases uncertainty about the future of Prestcold's Glasgow factory which employs 900 and is said by the company to need a cash injection of at least £8m to be commercial. Back Page.

TRADE union request for a
public inquiry into BSC's proposed closure of its Bilston steelworks in Staffordshire has been rejected by the Government. Back Page.

GOVERNMENT has announced
emergency legislation for the Scottish courts, because of strike action by court clerical workers. Ministers have appealed to civil service unions to call off their campaign, but further action will be announced tomorrow. Back Page.

BROOKE BOND LIEBIG
reports pre-tax profits overseas down by £9m to £10.3m for the first half of 1978/79. Profits in the UK improved, and group pre-tax profit for the period fell from £22.22m to £17.98m. Page 22 and Lex.

Secretary of a Christian
Union official is the West German to defect to Berlin. Page 2.

PRICE CHANGES YESTERDAY

RISERS		FALLS	
ate Inds.	385 + 25	Excheq. 124pc 1994 £1011	- 1
Radiovision	138 + 4	Assoc. Dairies	258 - 14
Rose	810 + 100	BOC	73 - 3
ough Const.	76 + 4	BTR	383 - 6
de Higgs	70 + 7	Beecham	680 - 22
Services	124 + 6	Britannic Assurance	182 - 5
on-Richards	159 + 10	Exel	153 - 7
worth Benson	120 + 8	GEC	378 - 12
on & Midland	116 + 5	GKN	263 - 11
os	96 + 8	ICI	394 - 13
s Paper Mill	71 + 10	Kitchen (R.) Taylor	185 - 7
149 + 7		Land Secs.	175 - 6
190 + 3		MEPC	175 - 6
153 + 7		MPI Furniture	355 - 35
ish Metropol.	132 + 4	Marks & Spencer	100 - 4
American	945 + 45	Rank Org.	278 - 6
Val.	111 + 1	Rolls-Royce	83 - 6
invests.	271 + 7	Stoher & Pitt	210 - 5
Rand Cons.	174 + 21	Utd. Biscuits	80 - 18
		Utd. Scientific	250 - 18
		Willis Faber	238 - 11

Mid-East treaty near

Israel and Egypt are close to signing a peace treaty on the basis of compromise proposals hammered out by President Carter. It could be signed as early as the end of next week but final conclusion depends on approval of the draft by the Israeli Cabinet and Parliament. After Mr. Menachem Begin, Israeli Premier, had agreed yesterday morning to submit the proposals Mr. Carter flew to Cairo and won acceptance of them from President Anwar Sadat of Egypt after 21 hours of talks. Before returning home Mr. Carter said: "I am convinced we now have all the main ingredients of a peace treaty which will be the cornerstone of a comprehensive settlement in the Middle East."

Only Israeli Cabinet's approval needed now

BY JUREK MARTIN AND ROGER MATTHEWS IN CAIRO

PRESIDENT CARTER left the Middle East last night after 10 days of extraordinary personal diplomacy, with only the approval of the Israeli Cabinet needed for a settlement. Mr. Carter telephoned Mr. Begin from Cairo Airport telling him of President Sadat's acceptance. He said that Mr. Begin had undertaken to present the U.S. proposals to his Cabinet for approval "at the earliest opportunity". However, Mr. Carter did not proclaim that peace was at hand. Displaying the same caution that he has throughout his week of negotiations, he said: "We have now defined all of the main ingredients of a peace treaty which will be the cornerstone of a comprehensive peace settlement for the Middle East."

Sharp rise in sterling as EMS makes start

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING ROSE sharply yesterday against the main continental currencies as the European Monetary System made a belated start after a 24-month delay. This re-opened speculation about a possible break in the link between sterling, which is not in the system, and the Irish punt. Mr. Jack Lynch, the Irish Prime Minister, warned that Ireland would cut the link between the two currencies if sterling moved outside the margin of currency fluctuation laid down in the rules of the EMS. He told journalists after the two-day EEC summit in Paris that: "If that happens, then it's goodbye sterling."

Exxon gives oil supply warning

BY DAVID LASCELLES IN NEW YORK

EXXON, the world's largest oil company, said yesterday that for the foreseeable future it will be a net buyer rather than seller of oil. It has warned third party customers that, as a result, it will only partially renew oil supply contracts when they fall due, and will eventually phase them out altogether. Third party customers are companies unaffiliated to Exxon which purchase its oil. Exxon buys oil on behalf of its many subsidiaries and other affiliated operations around the world, selling the excess to third parties. The company said the Iranian crisis had precipitated the move, but added that fundamental changes in the company's operations would have brought it about eventually. Third party customers have been advised that from the end of this month their contracts will be renewed for only six months. During that time they will get only 50 per cent of previously supplied volumes. After the six months are up, supplies will end altogether. The six month grace period was to enable customers to find new sources of supply, Exxon said. Contracts due for renewal extend right up to 1982, Exxon said, but most of the early ones are in Japan, where Exxon's new strategy first came to light. Exxon had no figures to indicate how big the cutback would be. It estimates that 10 per cent of its oil supplies are involved. On the basis of 1977 figures, the latest available, this would amount to just over 500,000 barrels of oil a day. The recent cancellation by British Petroleum of its 350,000 barrels-a-day supply contract with Exxon is believed to have been a decisive factor in the decision, though Exxon would not confirm this. Exxon, however, has for some time been warning customers that it might not be able to renew supply contracts automatically, partly because of the nationalisation of some of its producing properties and partly because of tightening world supplies. In the early 1970s Exxon switched from roll-over to term contracts so as to keep firmer control on its delivery commitments. Exxon has no third-party customers in the UK. Petrol up 2-3p next month. Back Page. America wakes up to the crisis. Page 21.

While the draft treaty seems bound to be the cause of considerable heart-searching in Israel, it may also encounter opposition within Mr. Sadat's government. Although its terms had not been revealed last night, it is certain to be rejected by the majority of Arab States on the grounds that it will not ensure Israeli withdrawal from all occupied territories or a satisfactory form of Palestinian self-determination.



Mr. Carter and Mr. Sadat embrace at Cairo airport

I'd quit - Begin

By David Lennon in Jerusalem

MR. MENACHEM BEGIN, the Israeli Prime Minister, has called a special session of the Israeli Cabinet this morning to discuss the U.S. proposals for resolving what he described as two remaining sticking-points in the negotiations. If the Cabinet decides that all the problems between Egypt and Israel have been resolved, Mr. Begin says his Government will seek the Knesset's approval for the peace treaty next week. He said the Cabinet would resign if the Knesset rejected its recommendation. Both the Premier and his deputy, Professor Yigael Yadin, cautioned that the Cabinet vote to accept the proposals was not a formality. But Mr. Shimon Peres, Leader of the Opposition, said he was sure the Cabinet would approve the new formula. From the tone of Mr. Begin's words it appears that he has believed that after 15 months of negotiation a treaty with Egypt was about to be concluded successfully. Mr. Begin would not say if he intended to recommend U.S. proposals to his Government today. He said he had declined to tell President Carter whether he was a prior declaration by him would bind the Government.

Farm prices setback for Callaghan

BY GUY DE JONQUIERES AND MARGARET VAN HATTEM IN PARIS

EEC GOVERNMENT leaders refused yesterday to endorse formally the principle of a freeze on common farm prices or the need to eliminate the Community's mounting agricultural surpluses. This inconclusive outcome is clearly a setback for Mr. James Callaghan, who had sought to persuade his counterparts at the EEC summit that there should be no increase in common prices for surplus commodities until the balance between supply and demand had been restored. He said after the meeting that he still hoped that EEC farm ministers would agree during the next few weeks on a freeze for this year. But senior UK officials suggested privately that the Government might yet have to carry out its threat to veto any proposed farm price rise to achieve this aim. Despite strong British pressure, other EEC leaders refused to include in the official summit communiqué a key passage stressing the need to cut agricultural expenditures by eradicating surpluses. The statement also failed to back the EEC Commission's call for a "rigorous" price policy. Instead, the final version stated that the Community should merely seek to limit the build-up of surpluses through a prices policy "suited to the situation" and through efforts to adapt production to correct imbalances on certain markets. Nonetheless, Mr. Roy Jenkins, President of the European Commission, said that he remained resolved to press for a price freeze on surplus commodities this year. But President Valéry Giscard d'Estaing, who chaired the meeting, publicly dissociated himself from Mr. Jenkins's remarks, observing pointedly that they reflected the views of the Commission and not of the EEC heads of government. He said that the French Government could not agree to an across-the-board price freeze because the balance of supply and demand for different farm products varied widely between different EEC countries. Even stronger opposition to the idea of a total price freeze was expressed by Mr. Jack Lynch, the Irish Prime Minister. But his Danish and Italian counterparts took a somewhat less dogmatic line. The EEC leaders also instructed their finance ministers and the Commission to study ways of encouraging greater convergence between national economies in the light of the belated launch this week of the European Monetary System. They have been asked to report on their conclusions by the next EEC summit in late June. Mr. Callaghan said he had insisted that the finance ministers should pay special attention to the relationship between member countries' net contribution to the EEC budget and their relative economic strength. However, no specific reference was made to this issue in the official communiqué. On employment, the leaders called for closer study to be given to improving training schemes, increasing job opportunities for women, and the possibility of limiting systematic use of overtime. They also stressed the importance of social measures to help redundant workers in hard-hit sectors, like the steel industry. On energy, the summit called for a 5 per cent cut in EEC oil consumption this year, broadly similar to the objective recently agreed by members of the International Energy Agency. Other summit news, Page 2. World Trade News, Page 7. Editorial comment, Page 20. Parliament, Page 15.

Backing for Premier

BY RICHARD EVANS, LOBBY EDITOR

MR. CALLAGHAN's forthright warning to other Common Market leaders that Britain might refuse to pay its full contribution to the EEC budget unless reforms were put in hand was welcomed with enthusiasm by Labour MPs yesterday. They saw the Prime Minister's stance as providing a useful policy platform for Labour to occupy in the run-up to the general election and in the campaign for direct elections to the European Parliament. How far the Labour leadership will be prepared to become openly hostile to the EEC for domestic political purposes remains to be seen, but Labour anti-Marketiers were convinced yesterday that Mr. Callaghan would be forced to become even more critical in the coming months. Mr. Michael Foot, deputising for Mr. Callaghan in the Commons, described the Prime Minister's Paris statement on the need for fundamental reforms as "a most important declaration."

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Swedish N-reactor plans jeopardised by geologists' report

By William Dulfors in Stockholm

GROUP of geologists has probably blocked the fuelling of more nuclear reactors in Sweden, at least in the near future. Their action comes less than a week after the Swedish Government had submitted to Parliament a new programme for the completion of 12 nuclear power stations.

Seven out of eight geologists yesterday rejected the power companies' claim that waste fuel could be safely stored deep in a Swedish rock formation at Sterne. The report said the rock formation is sound but not large enough. They had been commissioned to examine the drillings undertaken by the power companies in the Sterne area to prove that radioactive waste could be stored in glass at a depth of 500 metres. Geologists disapproved of the methods used, found the number of drillings to be insufficient but did not exclude the possibility that other Swedish rock formations could be adequate for the storing of clear waste.

When the State Nuclear Spectroscopy meets later this month to decide whether it will authorise the fuelling of Sweden's seventh and eighth clear power stations, now in operation, the report will be on the table.

The present situation is linked to the travails of the re-party Coalition Government which broke apart last

October over the nuclear issue. That Government had earlier pushed through Parliament an Act making the activation of further nuclear reactors dependent on the power companies being able to demonstrate that radioactive waste could be safely stored.

The former Prime Minister, Mr. Thorbjörn Fälldin, and his Centre Party, did not accept the power companies' report that rock storage was secure. In a compromise, it was agreed that the companies should drill further holes in the Sterne area they had selected.

It was widely accepted that these extra drillings would support the companies' claims. Now, however, it has been rejected by the geologists. The implication of their report is that 100 or more holes would have to be drilled before a firm decision could be taken.

Mr. Fälldin said yesterday that the geologists' had confirmed his suspicions. "I have been wondering how a few holes should be enough to find a safe storage space for this dangerous waste material, when much bigger efforts are needed to build an ordinary oil store in rock," he said.

Mr. Olof Ullsten, the Prime Minister, said he would wait for the decision of the State Nuclear Inspectorate Board. Other leading politicians also declined to comment on a matter which is likely to be a major issue in the September general election.

Ecevit resists pressure to devalue

By Metin Munir in Ankara

THE VEHEMENT opposition of Prime Minister Bulent Ecevit to the devaluation of the Turkish Lira is an important obstacle to implementation of Western plans to salvage the Turkish economy, according to Western diplomats here.

The Lira was devalued by 30 per cent a year ago, and its cross rates have been adjusted several times, but the disparity between its official and unofficial rates has grown enormously. Officially, the pound sterling fetches TL50. The Istanbul black market is selling at TL100.

Mr. Ecevit is reportedly planning to apply multiple rates to the Lira—offering a higher exchange rate to expatriate workers and tourists—but he is refusing to devalue.

Politically, devaluation is one of the most difficult decisions for any Turkish government. The public is acutely sensitive to the changes in the parity of the Lira, and considers devaluation a depreciation of national pride.

Having lost much of the prestige which brought him to power 14 months ago on a tidal wave of popular acclaim, Mr. Ecevit hopes to avert the blow his government may receive as a result of devaluation. He also faces a critical party convention in May and an even more important Senate election in October.

Mr. Ecevit believes, too, that devaluation would make no economic sense now, according to his aides. The economy, he considers, is existing in an atmosphere of artificial scarcity resulting from the foreign currency famine of 1977. Industry is functioning at half its normal capacity because of the drop in imported capital goods and raw materials. There is no exportable surplus which a devaluation could activate.

He reasons that Turkey must improve industrial output before it considers devaluation. Devaluation without any adequate reserves to back it up would make exports more expensive and increase inflation: already 70 per cent. Mr. Ecevit himself blames the depreciation of the Lira on rumours generated in Western capitals.

WEST GERMAN AID POLICIES

Issues confused by rivalries in Bonn

By Roger Boyes, recently in Bonn

MR. ROBERT McNAMARA, President of the World Bank, trod a delicate path between criticism and approval of West German aid policies during his visit to Bonn last week. West Germany, he said, was an important and active participant in multi-lateral aid projects, and relations between Bonn and the World Bank were good. But he made it clear that he considered West Germany's official aid programme to be far too low.

West Germany certainly seems to have a case to answer. In 1977, its official aid programme fell to 0.37 per cent of gross national product (gnp) from 0.31 per cent the previous year. According to aid officials, the 1978 figure looks like being only marginally better. This is so despite Bonn's publicly declared approval of the internationally agreed target of 0.7 per cent of gnp—a level which already has been attained by a number of countries.

Although Mr. McNamara studiously avoided direct criticism during his visit ("I'm just talking facts, that's all"), Bonn has come under considerable fire from aid authorities, its West European neighbours, Third World countries and domestic pressure groups.

A Dutch delegate at a meeting of the Organisation for Economic Co-operation and Development (OECD), for instance, recently claimed that it was hard for him to justify high aid expenditure to Holland's electorate, when economically strong countries like West Germany, Japan and the U.S. lagged behind. Holland, like Norway and Sweden has reached the 0.7 per cent level and the average contribution from OECD countries hovers around the 0.35 per cent mark—still well above the West German aid allocation.

West German politicians fend off domestic critics by raising the spectre of financial discomfort. Herr Hans Matthöfer, the Finance Minister, underlined the point earlier this month. "If you want to allocate 0.7 per cent of the GNP to official development aid," he told a Frankfurt audience, "it is the German people who have to pay for it, through DM 10bn (£2.65bn) worth of extra taxes." The message hit home, and, as aid officials hinted last week, it cannot have made the job of the German Development Aid Ministry any easier.

Bonn adopts two major lines of defence towards foreign criticism. In the first place, it stresses its contribution to multi-lateral aid projects. It is likely, for instance, that Bonn will agree to increase its capital allocation to the World Bank and the International Development Association (IDA). Mr. McNamara is currently seeking to double the Bank's capital base from \$40bn to \$80bn. Germany, as one of the principal members of the Bank, approves and is likely to stop up its share, although the exact figure has not yet been agreed. Similarly, the IDA fund which finances 50-year, interest-free credits to the least developed countries also needs to be topped up with fresh capital and Bonn, again, is willing to do so.

Germany has also contributed to United Nations and EEC aid schemes, as well as regional development banks. These contributions are an important part of Bonn's overall official aid efforts, especially as it is increasingly being asked to pay more because of the reluctance of the U.S. to act as the West's principal aid donor.

Bonn's second line of defence was demonstrated by a recent

Bundesbank study which seemed to kill or at least wound two birds with one stone. The study analysed West Germany's balance of payments with less developed countries (LDCs). It served simultaneously to dull some of the criticism of Bonn's hefty current accounts surplus and to demonstrate that its assistance to LDCs does not end with the official aid programme.

The study showed that Bonn has run a current account deficit with non-oil producing LDCs between 1975 and 1977 and had also been a net exporter of capital to them. "At the beginning of the 1970s," the study says, "roughly DM 2bn gross of short or long-term capital had flowed each year from Germany to developing countries, but between 1974 and 1976 this transfer of funds expanded to DM 7.8bn annually."

Thus a \$1.4bn current account surplus with non-oil producing LDCs (excluding those European countries classified as developing) in 1974 became a \$1.7bn deficit in 1977. Nearly all of the turnaround occurred because of changes in visible trade—exports barely increased while imports from the Third World rose by 51 per cent. The Bundesbank argues that the combination of private payments and the official aid programme during the period 1974-77 averages out at a respectable 1.1 per cent of GNP.

Critics both in West Germany and overseas believe that this is misleading. The large volume of imports simply reflects West Germany's dependence on raw materials—it is the third largest consumer in the world—and has nothing to do with altruism. The acid test of a country's willingness to help the Third World, it is claimed, must be the official

programme which can stay relatively immune from the shifts in the business climate.

The large share of private sector investment in the country's overall aid effort has led to an element of discrimination against the least developed countries of the Third World. Countries like Upper Volta and Mali rarely attract significant amounts of private investment—but Germany has not hiked the official aid allocations to compensate for this.

Left-wing critics in Germany believe that a political ideology underpins this tendency, arguing that a stable investment climate—one of the primary conditions for the granting of aid—is too often equated with the "stable" political situation in repressive regimes.

The German authorities deny political motives in the selection of potential aid recipients but there are clearly exceptions. Concern over Turkey's position in the Western alliance, for instance, has prompted Germany to play a leading role in organising an emergency aid package.

Sometimes, too, the economic rationale of aid leads to serious and unforeseen political repercussions. The raising of aid to Somalia (after the Mogadishu raid) at a critical period in Ethiopian/Somali relations resulted in a deterioration of relations with Addis Ababa where other German aid projects were underway.

This apparent confusion between the economic and political aims of foreign aid, and the small size of the official aid budget itself, seems to stem from administrative and political rivalries in Bonn. For example, only days after Herr Matthöfer had warned about the domestic costs of raising the aid level, Herr Rainer Offergeld,

the Development Aid Minister, reaffirmed Bonn's pledge eventually to meet the 0.7 per cent target. Herr Offergeld made it clear that "financial-political factors" were the restraining force.

The Development Aid Ministry (officially known as the Ministry for Economic Co-operation) from its inception has been something of a political football. Dr. Konrad Adenauer, West Germany's first Chancellor, cobbled it together from bits of the Foreign and Economics Ministries to create a portfolio for an extra minister in his last Cabinet. Herr Ludwig Erhard, the then Economics Minister, insisted, however, that the new ministry should not have final control over capital aid. This division of responsibility has survived until the present day and clearly has led to conflicts of interest and the whittling away of the aid budget.

The principal stimulus for the reinforcement of the development aid ministry appears to be the United Nations Conference on Trade and Development (UNCTAD) meeting which opens in Manila in May. Preparatory talks for the meeting began in Geneva this week. The UNCTAD meeting will discuss the "common fund" scheme to stabilise commodity prices but Third World countries are also expected to complain about the German, U.S. and Japanese aid programmes.

Bonn seems to be anxious to avoid the aid issue, deflecting attention from the central question of how to secure future raw material supplies.

Chancellor Schmidt's clean sweep in the Aid Ministry seems to be a recognition that the aid issue and raw material prices are linked.

Finland move on liquidity

By Lance Keyworth in Helsinki

THE BANK of Finland and the country's deposit banks have agreed on a cash reserve system which can freeze up to FM 2.5bn (0.00m) of funds from the credit money market in a central account in the central bank.

The agreement, which will remain in force until further notice, enables the central bank to order the deposit banks to a certain percentage of their credit inflow into this special account, raising the proportion

in steps as the situation requires up to a total of 5 per cent of the banks' deposit portfolio.

The frozen reserve will attract an interest that is 1 per cent units less than the basic interest rate. The aim is to enable the central bank to prevent the money market from becoming too liquid. The large current account surplus in 1978 and the appreciable import of foreign capital have eased the domestic financing market perceptibly in the past few months.

European MPs protest at large-scale staff increases

By John Hunt, Parliamentary Correspondent, in Strasbourg

THE PROPOSAL that the European Parliament should increase its own 1979 budget by a further £19.7m, mainly to pay for staff increases in preparation for the directly elected Parliament, came in for strong criticism in Strasbourg yesterday.

It would add 107 permanent and two temporary posts to the parliamentary Secretariat. In addition, there would be 188

blocked posts which the larger directly-elected Parliament could fill after June.

Mr. Tam Dalyell, Labour MP for West Lothian, pointed out that there had already been staff increases in June and October last year. The current proposals would mean that 500 new posts had been created in the past 12 months, an increase of one-third.

He was particularly critical of

the proposal to appoint three extra deputy directors-general for committees, general services and administration.

"This is more or less to advance the careers of certain individuals, rather than to meet functional needs," he said. "This is exactly the sort of thing we criticise the Commission for doing."

Lord Bruce of Donington, Labour, thought that the Bureau of the Parliament,

which is responsible for administration, had persuaded the budget committee to accept staffing decisions which had already been made.

A more cautious line was taken by Mr. Michael Shaw, Conservative MP for Scarborough. Nevertheless, he was concerned that the directly-elected Parliament might decide to fill all the blocked posts and "create a vast empire". Earlier, Sig. Emilio Colombo,

former Christian Democrat Prime Minister of Italy, was re-elected as president of the Parliament. Among those re-elected as vice-presidents were Mr. James Scott-Hopkins, Conservative MP for Derby West, and Sir Geoffrey de Freitas, Labour MP for Kettering, both of whom are standing for the directly-elected Parliament. The president and vice-presidents will serve until direct elections take place.

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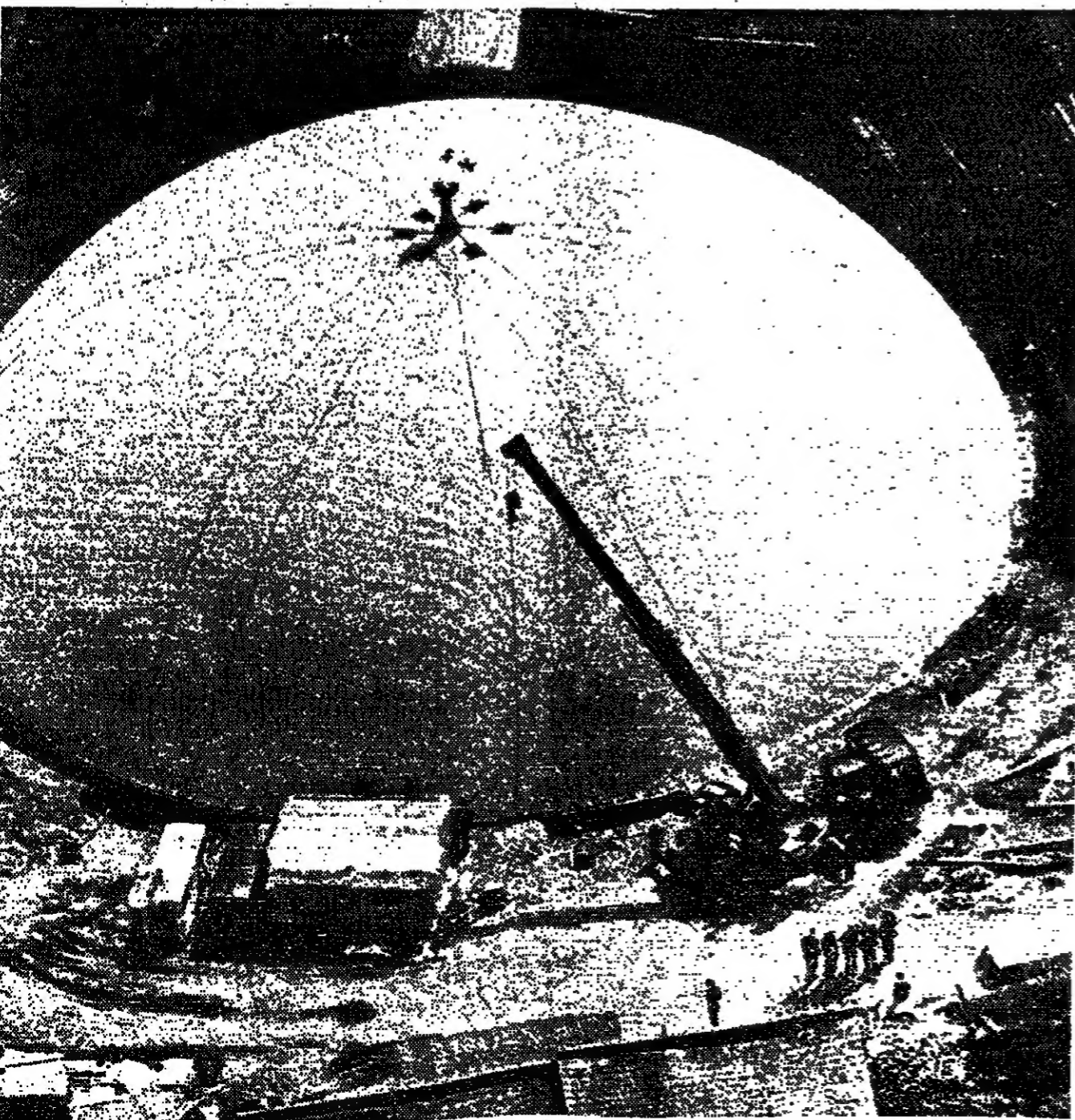
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OVERSEAS NEWS

Vietnam builds up border forces

BY RICHARD NATIONS IN BANGKOK

VIETNAM IS heavily reinforcing its northern border in the wake of the continuing slow and meticulous Chinese withdrawal. About half the 20,000 main force units which began moving north several days ago on Vietnam's overtaxed transport systems have come from Cambodia, analysts here say. The remainder are being redeployed from the South.

The Chinese are continuing to move large numbers of men and material back towards the Chinese border while leap-

frogging forward units from the front line.

No signs exist that the Vietnamese forces have seriously challenged the Chinese withdrawal, which Hanoi complained recently is taking too long. But both sides are continuing long-range artillery exchanges and sporadic fire along the line of retreat.

Hanoi is preparing for a prolonged military confrontation with China, the analysts believe. The Vietnamese, it is thought, expect Chinese forces to occupy small but strategic strips of

border terrain, which, Peking claims, are in dispute.

Redeployment has only marginally reduced the Vietnamese military presence, estimated at nearly 20 divisions, in Cambodia. Other units, which have spent a long time in the front line in Western Cambodia, are being rotated. Forces loyal to Pol Pot, the former Khmer Rouge premier, have taken advantage of this turn-over to launch persistent raids and attacks in Battambang and Siem Reap provinces.

Former South Vietnamese soldiers who have served up to three years in re-education camps under the new Vietnamese regime are being sent to work in Cambodia, military analysts say.

No evidence is seen that China is massing an invasion force along its common border with Laos, as Hanoi, Moscow and Vietnam have claimed.

Diplomats here suspect the allegations may be intended to reinforce the Vietnamese charge that China is trying to conquer and dominate all of Indo-China.

Japan maintains assistance to Hanoi

By Richard Hanson in Tokyo

THE FLOW of Japanese economic aid to Vietnam has continued despite its actions in Cambodia and it appears the pledges made for the next fiscal year from April 1 will also be carried out, according to the Foreign Ministry.

When the Vietnamese took part in the overthrow of the Pol Pot government in Phnom Penh at the end of 1978 and early 1979, statements by Japanese officials were widely interpreted as implying a possible freeze on economic aid. This was not the case, and Foreign Ministry spokesmen note now that they never officially said there would be a freeze on the credits and grants promised when Mr. Nguyen Duy Trinh, Vietnamese Vice-Premier, visited Japan last year.

The aid promised by Japan for the next fiscal year includes ¥10bn in credits, ¥4bn in grants and a loan of 150,000 tons of rice. For the present year, ¥14bn in aid has been disbursed or is in the process of being disbursed.

The Japanese government has been able to do relatively little in response to both the Vietnamese invasion of Cambodia or the Chinese invasion of Vietnam.

It is likely that any role that Japan could play in mediating in the disputes in Indochina will go no further than the statements already made to both sides urging an end to the fighting, immediate withdrawal on both fronts and a warning that third parties, i.e. the Soviets, not intervene.

China's bankers ordered to obey economic laws

BY DAVID DODWELL

CHINA'S DOMESTIC bankers, once the epitome of bourgeois capitalism, have been ordered to "rehabilitated" at a national conference which at the same time proposed sweeping reforms in the banking system.

Branch managers of the People's Bank of China, who met recently in Peking, were told that future policies, particularly loan policies, should be in strict accordance with economic rather than political laws.

Bankers were told that they could reintroduce variable interest rates at their own discretion, and should lend to industry only where it was well-organised, well-managed and credit-worthy.

"Only in this way can enterprises make every cent count, spend wisely and economically, and put their overstocked materials to good use," the conference report said, according to the New China News Agency.

Until the return to power of Deng Xiaoping, China's banking system was under strict political control. Enterprises won loans because of their ideological correctness rather than their economic rectitude. But China's bankers, who will "experimentally" be given official titles again have now been instructed

to resist resolutely any political pressures put on them. They will be seen as economists specialising in the credit business and their decisions will be respected as such.

The conference studied plans to increase interest paid on savings, a move aimed at attracting more funds for China's "socialist modernisation."

It also considered plans to reopen the Agriculture Bank of China, a major source of funds for the country's communes. It has been reported recently that some communes are in serious financial difficulties, with huge debts and little prospect of repaying loans raised in the recent past.

Some communes were criticised for borrowing much more than they were capable of repaying. If the Agriculture Bank is reopened, a major task will be to sort out these problems, and tighten up procedures for lending to communes.

Dearer Chinese oil

China plans to raise its crude oil prices by an estimated 5 per cent for the April-June period, the newspaper Yomiuri said yesterday. AP reports from Tokyo.

Iran budgets on monthly basis pending inquiries

BY ANTHONY McDERMOTT IN TEHRAN

THE IRANIAN Budget for 1978-80 is to be drawn up initially on a monthly basis until an extensive review of defence and development projects has been completed, Mr. Ali Akbar Moinefar, Minister of State for Planning and Budget Organisation, announced. The fiscal year starts next Wednesday.

Planning for the coming fiscal year is taking place against a background of prolonged political and economic confusion. This has meant, for example, that the National Iranian Oil Company and the Government of Dr. Mehdi Bazargan have yet to establish long-term levels of oil production and income.

Oil income in 1978-79 was to have totalled \$20.7bn, but could be \$5bn less. NIOC announced yesterday that oil production had reached 2.5m barrels a day, of which about 700,000 b/d goes to domestic requirements. Last year's production averaged an estimated 5.2m b/d.

Expenditure for the 12 months is to be based on the

total expenditure of the 1978-79 Budget. That amounted to \$32.4bn so that until circumstances change, monthly expenditure will be \$4.4bn.

Because of the time lag in oil payments it is likely that the Government will be operating initially at a considerable deficit. The last oil payments in early March and February, were well down and those in January were only half the normal level. It is likely too that the balance of payments deficit calculated last July by the Central Bank at \$0.9bn for 1978-79 may have risen to \$3bn.

Mr. Moinefar said that studies would concentrate on two areas in particular. The armed forces and defence expenditure would be radically reorganised. In 1978-79 it totalled \$9.9bn or a visible 18 per cent of the Budget. This was an increase of one quarter over the year before.

A large proportion of military contracts have either been cut back or are subject to review, Mr. Moinefar said that some of

the large-scale military housing projects which surround Tehran would be reallocated for schools and civilian housing.

The development plan for the years 1978-83, of which details have never been made public, is being extensively studied with a view to pruning the more grandiose projects, mainly capital intensive schemes in atomic energy, defence, steel production and communications.

Mr. Moinefar said that construction of low-cost housing for lower income groups would be a priority. The Ministry of Housing and Development has announced plans to build 200,000 units, 40,000 in the capital, before the end of the 1978-80 year.

This amounts to less than half the annual plans of the Shah's regime which regularly built only about 50,000 units a year.

The activities of Government companies, 80 per cent of which are running at a loss, according to Mr. Moinefar, are also to be reviewed.

Purge moves into higher gear

BY ANDREW WHITLEY IN TEHRAN

THE PURGE of senior members of the Shah's regime moved into higher gear yesterday with the first batch of executions on mainly political as against pseudo-judicial grounds.

Eleven men were executed here, and one in the provinces, bringing the total of "political deaths" in the past month to 42. Sixteen others have been executed for moral infringements.

Control over the arrests and executions is out of the hands of Dr. Mehdi Bazargan's Government but official spokesmen are reacting increasingly defensively to domestic and international criticism.

On Monday, the International Commission of Jurists issued its second warning to Iran within a fortnight.

Long a scourge of legal abuses under the Shah, the commission protested strongly at the way the executions are being carried out. Iranian human rights groups have

also begun making private representations.

The 11 executed in Tehran included five members of the security forces. Also among them were two senior newsmen—one of whom had been the chief ideologue of Rastakhiz, the Shah's single party.

Another was the only religious figure in the old Parliament, Chohabhossein Daneshi, who had vocally supported the Shah to the end.

The executions have clearly moved away from only affecting those who committed visible "crimes" during the opposition movement—SAVAK officials, martial law administrators, senior military men—to include the settling of old political scores.

Also yesterday, Mr. Amir Entezam, a deputy Prime Minister and Government spokesman, lengthily justified the execution of Mr. Mahmoud Ja'farian, former head of the Government news agency. He described Mr.

Ja'farian and others as "political criminals, traitors to the nation, and elements corrupting the earth."

These latest deaths have brought new fear to a large section of Tehran's wealthy middle class, already concerned at nightly arrests and a ban on foreign travel.

The Government yesterday took its first serious steps towards halting the executions. Gen. Ahmed Madani, the Defence Minister, who is considered a liberal, said: "The Government had asked the Ayatollah Khomeini to declare a general amnesty for all remaining followers of the Shah."

Under the old regime, many people had shouted pro-Shah slogans, or had helped the Government, he added. These people should be pardoned. The exceptions were those who had committed mass killings and murder, or had misappropriated national funds.

U.S. Yemen aid reassures Saudis

BY DAVID BUCHAN IN WASHINGTON

THE SWIFT U.S. military response to the fighting in Yemen has reassured Saudi Arabia that the U.S. is still able and willing to back its Arab friends, officials here believe. It has also helped stem the advance of South Yemeni forces into North Yemen.

Troops of the Russian and Cuban-supported South Yemeni Government still occupy a sizable area of North Yemen. But State Department officials have said that fighting has eased.

This is partly because the better-equipped but smaller South Yemeni forces have for the moment reached a military stalemate with North Yemen, and because Arab League mediators have to some extent constrained both sides.

The U.S. would shortly send about 70 military instructors to North Yemen to train its forces in the use of the large amount of U.S. weapons already there or on their way, the Defence Department disclosed.

The unexpectedly strong U.S. reaction to the Yemeni conflict has met with criticism from the Saudi Press and the U.S. Congress. This response has included despatch of the aircraft carrier Constellation to the Arabian sea and of two large U.S. air force radar planes to Saudi Arabia, which supports North Yemen.

But the State Department insists that every move, except despatch of the Constellation, was taken with Saudi approval, and that it has received no

official Saudi complaint.

Department officials understand, however, that Saudi Arabia may, for reasons of public relations with the rest of the Arab world, want to distance itself slightly from the U.S.

Department officials reject Monday's criticism by representative Les Aspin that if the Carter Administration want to show it can still get tough in support of its remaining friends in the Middle East, Yemen is the wrong conflict to choose.

The Department says that up to 1,000 Russian advisers are in South Yemen, as are nearly as many Cubans, and about half of these are directly involved in the direction of South Yemeni military operations.

Ghana's banks re-open with new currency

By Our Foreign Staff

BANKS IN Ghana re-opened yesterday to exchange old Cedi currency notes for new ones in a move officially said to be designed to cut off "illegal" currency holdings outside the country and to strengthen the Cedi by reducing excess liquidity.

Under an order issued by the Ghanaian Central Bank, all banks were closed on Monday and reopened from yesterday until March 20 to exchange old bank notes for new ones. All land, sea and air approaches to the country were reported to have been closed for the change-over period.

Reports reaching London said that for bank notes outside the banking system, holdings of up to Cedis 5,000 would be exchanged at a value of new Cedis 7 for old Cedis 10. Amounts in excess of Cedis 5,000 would be valued at new Cedis 3 for old Cedis 10.

Israelis buzz Beirut as Carter completes mission

BY ISHAN HIJAZI IN BEIRUT

ISRAELI FIGHTER planes yesterday criss-crossed Lebanese skies as Palestinian guerrillas reported that their positions in and around the town of Nabatieh in Southern Lebanon were shelled heavily by Israeli artillery.

Three jets swooped over Beirut and flew northward drawing ground fire from Palestinian and Syrian positions. Other fighter planes crashed the sound barrier causing sonic booms over south Lebanese cities.

The exercise was regarded as a show of force at the end of President Carter's Middle East mission. Palestinians said Israel may be preparing for action against Southern Lebanon.

Many believe the Israelis have yet to retaliate to the unsuccessful attempt by the guerrillas to carry out an operation in the Jordan Valley. Four guerrillas were killed by an Israeli patrol in the valley on the day President Carter arrived in Jerusalem last weekend.

The Israeli air activity here has added to the worries of Lebanese officials who are trying to head off the danger of a security breakdown after Saudi Arabia withdraws its troops from the Arab League deterrent force.

The Saudi decision was originally taken two weeks ago but the actual withdrawal was suspended for a while to give President Elias Sarkis and his Government time to find substitute forces.

Yesterday the commander of the 1,200-man Saudi battalion received orders from Riyadh to pull out not later than tomorrow morning.

The Christian militias were reported to have been alerted to take over the Saudi positions if substitute forces are not secured.

It is thought that army units may move into Saudi positions by today to head off the occupation of these positions by Christian militias.

Economic stimulus in S. Africa

BY QUENTIN PEEL IN JOHANNESBURG

THE DECISION by the South African Reserve Bank to raise commercial banks' credit ceilings and reduce its liquid asset requirements is seen here as a clear indicator of an expansionary budget due at the end of the month. The move means that between R250m to R350m (U.S.\$295m to U.S.\$413m) will be available in the form of expanded bank credit.

In spite of the gradual revival in the South African economy over the past year, bankers say that business demand for bank credit for new fixed investment remains slack. While some of the larger banks have had

trouble keeping within their credit ceilings, other institutions have kept well below them. Many businesses are still operating at a fraction of their utilisation capacity.

Real disposable incomes have stagnated for the past two years, and last year's 3.5 per cent increase in consumer spending came largely from savings, which cannot long be sustained.

Thus in spite of the commitment by Senator Owen Horwood, the Minister of Finance, to a conservative fiscal and monetary policy, observers are now virtually unanimous that the budget will have to provide appreciable

stimulation to economic activity, probably in the form of cuts in direct taxation and relief from the existing loan levy.

The impact of the Iranian crisis, with its particular effects on the South African economy because of its traditional reliance on Iranian crude, has forced many economists to reassess their predictions for the coming year. In particular, the 30 per cent increase in the price of petrol and other petroleum products could seriously dampen growth prospects, which most observers previously put at 3.5 per cent to 4 per cent for 1979.

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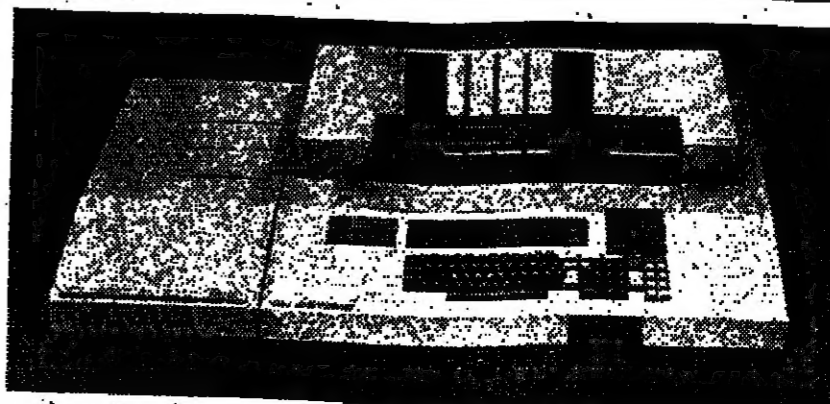
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Grenada coup ousts Gairy

BY TONY COZIER IN BRIDGETOWN

THE GRENADA Government of Prime Minister Sir Eric Gairy was overthrown yesterday by a group calling itself the New Revolutionary Government and headed by Mr. Maurice Bishop, a 34-year-old lawyer.

Mr. Bishop, leader of the opposition New Jewel Movement, said the coup was bloodless and took only a few hours. The revolutionary forces, whose strength and source of arms he did not disclose, had overrun the barracks of the Grenada Defence Force and police and taken over the radio station within half an hour.

Apparently tipped off, Sir Eric flew to New York on Monday and is expected to try to whip up international support there. Mr. Bishop, however, indicated that he would seek Sir Eric's extradition and warned against any international interference.

"The criminal dictator Eric Gairy, apparently sensing that the end was near, yesterday fled the country, leaving orders for all opposition forces, especially the people's leaders, to be massacred," Mr. Bishop, considered a left-wing moderate in the Caribbean, said in his first radio broadcast as new Government leader.

Mr. Bishop, whose father was killed by police during a politi-

cal disturbance in the Grenada capital in 1973, said that if Sir Eric was extradited, he would be put on trial to face charges including murder, fraud and the "trampling of the democratic rights of the people."

The new Prime Minister declared that foreign residents were quite safe and welcome to remain in the island-state which became independent after 200 years of British rule in 1974.

"All democratic freedoms" would be restored and "personal safety and the property of

individuals would be protected," he declared.

An unidentified "Commander of the Revolutionary Forces" said in a broadcast over the Government-controlled station, now calling itself Radio Free Grenada, that there had been no resistance to the revolution.

He called on police stations throughout the 133 square-mile island and its two small dependencies of Carriacou and Petit Martinique to raise white flags as "a symbol of surrender—the revolutionary forces will take action against you."

Mr. Bishop said that several former Cabinet Ministers had been arrested. Senior police officers and about 100 policemen had been placed in "protective custody."

The New Jewel Movement, comprising mostly young Left-wing lawyers and intellectuals, was formed seven years ago and quickly won widespread public support to challenge Sir Eric's Grenada United Labour Party, which had been in power since 1967.

The policies of Mr. Bishop's new Government are likely to reflect the Left-wing stance of its members. Mr. Bishop and several of his associates have identified strongly with Third World causes and have expressed admiration for the Cuban revolution.

But for the moment they will be more concerned with reviving an economy based on tourism and the export of bananas and citrus. The realities of managing the affairs of such a small, impoverished island-state will probably override ideological dogmatism in the immediate future.

By 1974, Sir Eric had led Grenada to full independence from Britain. Since then, his popularity and that of his Government has waned noticeably. Internationally, he has been viewed as something of a comic character.



Sir Eric Gairy—out of the country when coup took place.



AFL-CIO launches bid to halt pay, price policy

BY JOHN WYLES IN NEW YORK

THE AMERICAN Federation of Labour-Congress of Industrial Organisations yesterday launched its bid to maim President Carter's pay and prices policy by seeking a court ruling outlawing the use of Government sanctions against companies which breach the voluntary guidelines.

The AFL-CIO and nine of its affiliated unions filed a suit in a Washington district court seeking a ruling that the withdrawal of Government contracts from recalcitrant companies is illegal, and an injunction to prevent federal procurement officers from implementing the policy. The notice of sanctions was borrowed directly from the approach adopted by the British Government which was voted down by the House of Commons last November.

Announcing the suit yesterday Mr. George Meany, president of the AFL-CIO, repeated his arguments that the policy was unfair to working people, biased in favour of pay restraint rather than moderating prices and illegal because the existence of sanctions made it mandatory. Congress specifically vetoed mandatory controls in 1974 legislation setting up the Council on Wage and Price Stability which is responsible for running the wage price programme.

However, the Justice Department reportedly advised the White House that the use of government contracts to encourage compliance with the guidelines was permissible under government procurement statutes and would not violate the 1974 legislation.

Federal mediators step into crucial truck talks

BY OUR NEW YORK STAFF

OFFICIALS OF THE Federal Mediation Service yesterday made a predictable entrance into the crucial trucking industry pay talks as the employers and Teamsters Union started to confront the key issue of compliance with the Carter Administration's voluntary pay guidelines.

Mr. Wayne Horvitz, director of the service, called the two sides together for talks yesterday afternoon in Florida to mark the start of an exercise fraught with dangers.

The trucking industry would like to settle within the guidelines allowing average pay and benefits increases of 7 per cent a year, but is reluctant to take a stand which would risk a national strike. The Teamsters have set their sights on a guidelines-busting deal, and would like the policy rewritten to make this possible, while the

Federal mediators are under some covert Government pressure to encourage a settlement within the guidelines. But they dare not sacrifice their traditional independence.

The present three year contract covering 300,000 truck drivers expires on March 31 but at the moment the Teamsters are keeping everyone guessing about the possibility of a strike if there is no agreement by the deadline. By yesterday the odds appeared tilted towards deadlock since the union seems to have deliberately pitched its demands well above anything allowed by the guidelines.

Estimates of what the union's claim for pay and benefits increases would cost vary from 35 per cent to 55 per cent. The claim was formally spelled out for the first time last week and was turned down by the employers on Monday.

U.S. running 'at near maximum'

By David Buchan in Washington

THE U.S. economy was operating at near maximum capacity in the second half of last year, with excessive demand pushing prices up, according to a confidential International Monetary Fund staff report on the world economic outlook.

The report was sent to Finance Ministers at the Fund's interim committee meeting here last week.

The implication of the IMF study, which on some points is critical of the Carter Administration's economic policy-making, is that the Administration's pay and price guidelines are less pertinent to curbing inflation than fiscal and monetary restraint, to reduce demand in an economy in danger of overheating.

The report claimed that the present U.S. unemployment rate—which was 5.7 per cent in February, and actually falling slightly over the last three months—corresponds to full employment, because there is very little extra output potential in U.S. industry, fund officials confirmed.

The report saw signs of optimism this year in some areas of the economy and agreed with the Carter Administration's prediction that the U.S. current account deficit should fall sharply in 1979. But inflation was still very worrying, the study added.

Sao Paulo's metal-workers out on strike

By Rik Turner in Sao Paulo

MORE THAN 200,000 metal workers in Greater Sao Paulo's major industrial zone, the ABC, have gone on strike rather than accept proposed wage rises of 63 per cent and 57 per cent (depending on wage earned on April 1, 1978) made by the Sao Paulo Employers' Federation (FIESP), during seven hours of negotiations on Monday.

The unions in Santo Andre, Sao Bernardo and Sao Caetano, from which the ABC takes its name, decided to go on strike from midnight on Monday, while 29 other unions from the interior of Sao Paulo State accepted the proposals and signed an agreement to the effect.

Work slows on Japan-Iran joint chemicals venture

BY RICHARD C. HANSON IN TOKYO

CONFLICTS OF authority in Iran between the official Government and the committees under the control of the Ayatollah Khomeini apparently threatens to hold up work on the multi-billion dollar joint Japan-Iran petrochemical plant in Bandar Shapur.

The Japanese side of the joint venture, led by Mitsui has

been unable to obtain working permit visas for employees needed to continue construction on the project which is 85 per cent complete.

The Khomeini committees have made it difficult for decisions to be made by the national petrochemical company, the Iranian partner in the venture.

Work is continuing very slowly. At present there are 450

Japanese workers at the project site compared with 3,500 at its peak. All 1,500 South Korean workers have returned home. Until roadblocks are cleared, work will be kept to a minimum.

The president of one Japanese partner company, Iran Chemical Development, Mr. Toshikuni Yaburo, is now in Iran and has asked his Iranian counterparts to resolve the problems blocking progress.

India renews liberal import plan

BY K. K. SHARMA IN NEW DELHI

INDIA'S LIBERALISED import policy announced last April is to continue for at least one more year although the actual announcement of the policy will be delayed by a month and be made now in May, according to the Commerce Minister, Mr. Mohan Dhar.

The main liberalisation was in the import of 14 categories of capital goods and this was intended to fill gaps in the economy—for example in power

generation—as well as allow industries to modernise.

The experiment is considered by the Commerce Ministry to have worked well, although some Indian manufacturers of capital goods grumble at the competition from abroad. The liberal imports helped to step up the import bill by an estimated 22 per cent over the previous year, and taken with falling exports, is expected to lead to the fiscal year 1978-79 ending with a

trade deficit of more than Rs 100m (£650m).

This is not considered to be serious mainly because it is a planned trade gap and because the fall in exports is caused by factors such as the drop in the value of the dollar, falling world prices of commodities like tea and coffee and the deliberate policy of the government not to permit exports of items of which there might be a domestic shortage.

China team visits Malaysia

BY WONG SULONG IN KUALA LUMPUR

MALAYSIA IS to press China to take more Malaysian goods during the current visit of Mr. Li Chiang, the Chinese External Trade Minister.

Mr. Li, who is leading a seven-man trade team to Thailand, Malaysia and Singapore, arrived in Kuala Lumpur yesterday for a six-day visit.

Trade between the two coun-

tries has been \$300m (£150m) during the past two years, with a two-to-one balance favouring China.

Malaysia is particularly keen for China to take more rubber and palm oil. The Chinese currently buy palm oil for making soap, and there is a potentially vast market if the Chinese could be convinced to use palm oil for cooking.

AP-DJ adds from Kuala Lumpur: Malaysian Deputy Prime Minister Mahathir Othman will lead an investment promotion mission, comprising senior government officials and private sector representatives to Europe from April 15 to 29.

The mission will visit London and Manchester, Munich and Milan.

Britain remains 3rd biggest NZ supplier

BY DAI HAYWARD IN WELLINGTON

BRITISH EXPORTS to New Zealand last year were almost NZ\$600m (£318m), making the UK the third biggest supplier to New Zealand, after the U.S. with NZ\$652m and Australia with NZ\$655.7m.

However invisible and other earnings boosted UK earnings from New Zealand to NZ\$1,330m. Only the U.S., with NZ\$1,380m earned more from New Zealand.

Britain had a favourable balance on invisible transactions of shipping freight rates, insurance and other payments of NZ\$254.5m.

The UK supplied 20 per cent of New Zealand's total imports during 1978 and is New Zealand's major export market buying NZ\$750m of mainly agricultural products last year. Of this NZ\$306m was for meat —

mostly lamb — and NZ\$212.9m for butter.

The vital importance of the British butter market to the New Zealand dairy industry is shown by the fact that total New Zealand butter exports were worth NZ\$241m—of which NZ\$212m came from sales to Britain.

Meat remains New Zealand's major export commodity, earning NZ\$897m in 1978.

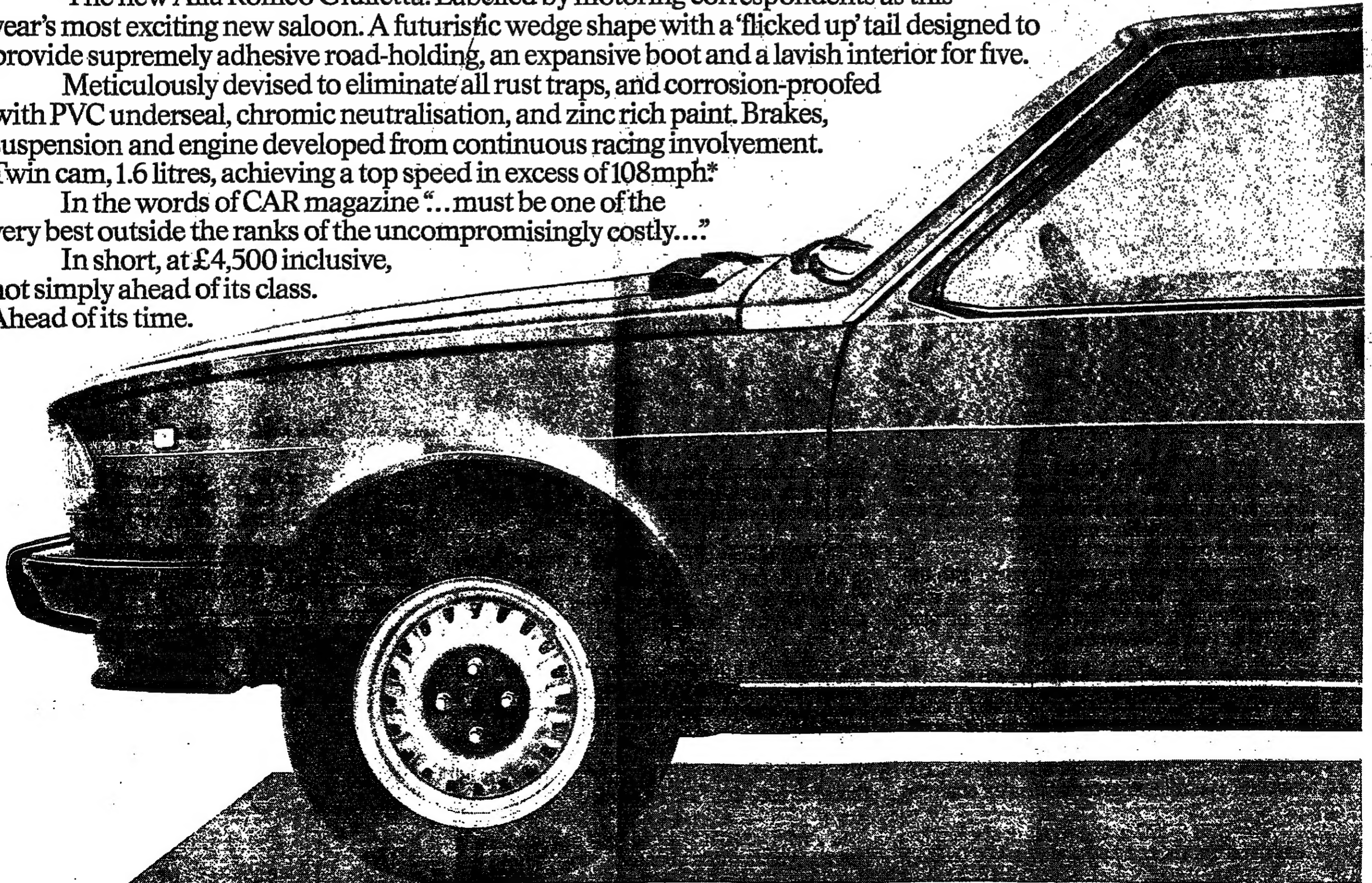
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EEC again urges Japan to buy more manufactures

BY MARGARET VAN HATTEN IN PARIS

C HEADS of Government, tried by the sharp rise in Japan's trade surplus with the Community, yesterday urged the Japanese market be opened to imports of manufactured goods from the EEC.

Over the past five years, Japan has, on average, exported 10 per cent more to the EEC than it has imported from it.

In this period its trade surplus has risen from 1bn units of account (\$6.3bn) to 5bn units of account (\$31.3bn). In 1970, the surplus was a bare 0.2bn

units of account (\$0.3bn). "Trade relations between Japan and the Community continue to be seriously out of balance to the detriment of the latter," the Government leaders said in their final communique after their two-day summit.

They laid stress on current talks with the Japanese Government on bilateral trading relations, which they hoped would help open up the Japanese market to EEC goods.

Over the past three years, the Commission has become increasingly disturbed by the growth of

Japanese exports, which is concentrated in a fairly narrow range of labour-intensive sectors. In view of the present recession in European steel-related industries, such as shipbuilding, ball bearings, and electronic goods, together with high unemployment (8m unemployed in the EEC), the Commission has consistently called for corrective measures.

But it has always insisted that these should involve less protectionism on the part of the Japanese rather than increased EEC curbs on Japanese imports.

Toyota hit by rising U.S. prices

EXPORTS OF Toyota cars to the United States are likely to decline by 10 per cent this year compared with 1978, mainly because of their increasing prices, officials said in Tokyo, according to AP-DJ.

A spokesman for Toyota Motor Sales said the company, Japan's largest vehicle producer, would ship about 500,000 cars to the U.S. this year.

The target is 70,000 short of Toyota's U.S. exports in 1978. "Due to the yen's rise, it has been becoming increasingly difficult for us to keep up our exports to the U.S. and some slowdown has become inevitable," a spokesman said.

Toyota has raised the U.S. prices of its cars nine times since the summer of 1977, pushing up the present prices an average of 30 per cent from August, 1977, industry officials said.

New car for UK

Daihatsu Motors, a motor manufacturer within Toyota Motor Group specialising in smaller size cars, has announced its plans to introduce its 1,000 cc Charade in the UK market from this summer. For the first year, the company plans to export 600 vehicles. Daihatsu has begun to expand rapidly in Europe and exports of the Charade to West Germany started at the beginning of this year.

Project finance

Hill Samuel Project Finance has arranged two sterling loans to support contracts awarded to Francis Shaw (Manchester) for the supply of 23.2m of tyre rubber reclaim and car door seal manufacturing equipment to Yugoslavia. The funds, backed by the Export Credits Guarantee Department, are being made available by Hill Samuel to Vojvodjanska Banka.

Draglines

Thomas Smith of Rodley, Leeds—a unit of NEI Clarke Chapman Cranes—has obtained an order from Agrocomplect, the Bulgarian agricultural engineering authority, for 10 draglines for use on the Shetymiyah and Suwaira irrigation projects in Iraq. The order, which includes spares, was obtained in competition with Italian and French manufacturers and is worth over £500,000.

NIGERIAN TRADE

Lagos takes tough line on imports

BY MARTIN DICKSON, RECENTLY IN LAGOS

FOR THE first time in years, vacant berths can now be seen in the Lagos port complex and only a handful of vessels are waiting in the roads off the Nigerian capital for permission to enter harbour.

Suddenly, the port congestion problems of Lagos have disappeared, at least for the moment. It is a development which graphically underlines the sharp drop in Nigeria's import volume in recent months, particularly since the Government's introduction of its controversial system of pre-shipment inspection for imports.

The slower flow of imports results from balance of payments difficulties which last April forced the Nigerian Government to take some tough budget measures. Severe curbs were placed on imports; certain goods were banned and many more placed under licence. The Government also announced that it planned to introduce a system of pre-shipment inspection for imports, to guard against over-invoicing, but gave no details then about when or how this would be introduced.

By the latter half of last year, the import curbs were beginning to bite, particularly since the Government adopted a very strict approach to the issuing of licences. For example, UK exports to Nigeria, which were

worth £104m last July, were down to £70m by December.

Initial uncertainties and bottlenecks in the scheme also produced a sharp reduction in Nigerian imports during January and February. According to a spokesman for the Nigerian Ports Authority, the Lagos port complex discharged 415,249 tonnes of imports in January, down 15 per cent on December and nearly 28 per cent on the previous January.

At the end of February, there were only some 10 vessels waiting to enter Lagos's two ports—Apapa and Tin Can Island—compared with between larger numbers previously. Shipping lines have cancelled many sailings to Nigeria and have been carrying reduced tonnages on others.

The port authorities believe it will be another two to three months before traffic picks up, if the teething problems of pre-shipment inspection are settled, and they regard this as a valuable breathing space in which to carry out overdue repairs to equipment and to dredge harbour channels.

Others are not so sanguine. There have been repeated complaints both inside and outside Nigeria that pre-shipment inspection was introduced with far too little notice and that this, coupled with administra-

tive bottlenecks at the Lagos end, are having a most unsettling effect on the flow of imports, including some raw materials for Nigerian industry.

It seems that it is still too early to assess how SCS is carrying out its mandate to inspect goods for price, quantity and quality. At present, complaints centre on the rate at which the Central Bank is processing the so-called Form M, through which Nigerian importers must now apply for foreign exchange.

Submission of Form M is the first step in the process of acquiring a clean pre-shipment inspection bill of health. In response to complaints, the Government has allowed two concessions. Firstly, it delayed by a month (until the end of January) the introduction of the inspection process. Secondly, it announced recently that goods worth less than N10,000 (£8,300) would be exempt from inspection and that Forms M for such goods could be processed by the importer's own bank.

And while the Central Bank will continue to process Form M for items worth more than N10,000, it is in practice exempting from inspection goods valued at not more than N20,000.

These concessions should ameliorate supply problems for

badly needed spare parts and some small quantities of raw materials, but they will not affect a large part of Nigeria's imports. It remains uncertain how long the pre-shipment scheme will take to overcome its problems.

But whatever the outcome, the scheme is regarded by the Government as a very necessary part of its armoury of import control measures. The main reason for the inspection process is to prevent over-invoicing for imports, since Nigeria feels that it was badly cheated by unscrupulous dealers during its heady oil boom years.

But the introduction of the Form M system should also allow the Government to monitor the country's foreign exchange commitments and flows far more quickly and sensitively than before.

With imports now cut sharply back, and with oil production currently running at record levels, Nigeria seems to be over the very worst of its external difficulties.

However, foreign exchange reserves are still uncomfortably low, and with the full effects of higher oil production yet to trickle through to the depressed domestic economy, there is unlikely to be any early improvement in the country's international trading position.

Poland to boost coal output

BY JOHN LLOYD

COAL PRODUCTION levels in Poland's coal mines appear to have been revised upwards, move which will increase exports of Polish coal and make cement on a subsidy for coal mined within the European Community more difficult.

Last year, the International Energy Agency estimated that production of hard coal in Poland would reach a level of 100 million tonnes in 1980, and that exports to non-communist countries—mainly to Western Europe—would rise to 25 million tonnes from 23.9m tonnes in 1979.

However, in an article in the recent issue of "World Coal," professors Sziarski, Dudek and Gierm, of the Polish Mining Metallurgical Academy, estimate the 1980 production to

be 210m tonnes, and say that "extensive investment" will continue.

While Poland uses coal to meet some 85 per cent of its energy needs and is unlikely to expand its oil and gas imports from the Soviet Union, the authors of the article make it clear that the more than 40m tonnes of exports to both Communist and non-Communist countries are "an important source of foreign currency."

Supplies of relatively cheap Polish coal to the EEC members power stations is a major factor inhibiting agreement for an energy package by the Council of Ministers which would subsidise European-produced power station coal, down to prices close to those of Polish, Australian and South African imports.

The UK, the largest coal producer in the EEC, would be the principal beneficiary of such a scheme, and will again attempt to gain approval for it this year. However, it seems unlikely that a package—which also contains proposals to amend oil refinery policy unacceptable to the UK—will be agreed in the near future.

● The EEC Commission has negotiated and initiated under the GATT Multifibre Arrangement (MFA) an agreement with Poland on trade in textiles and clothing. The agreement provides for Poland to restrain at agreed levels exports to the EEC of certain textile products until the end of 1982. It is similar to those that the Commission negotiated with other low cost supplying countries in 1977 and is effective from January 1, 1979.

EEC in U.S. chemicals protest

BY SUE CAMERON, CHEMICALS CORRESPONDENT

POSED U.S. environmental objections on chemicals could angle foreign trade and innovation," according to IC—the Council of International Chemical Manufacturers' Associations.

representatives of CEFIC, a public hearing held by U.S. Environmental Protection Agency that the proposed regulations would hit European chemical producers harder than American ones, said the regulations would require highly

detailed information about the production of American chemical imports that are not already on the U.S. inventory, would constitute a "deep invasion" of "European manufacturers' ownership of technology."

The EPA has refused to guarantee confidentiality of any information it might receive under the proposed regulations. The European manufacturers believe that information about their technology, the tonnes they produce and the working conditions at their plants could

therefore be made available to their competitors under the U.S. Freedom of Information Act. They also fear that regulations would become a non-tariff barrier to trade with the U.S.

The CEFIC representatives told the public hearing that the EPA was "applying U.S. jurisdiction in an improper way to all countries." They demanded that the EPA should recognise European chemical testing rules as valid for foreign suppliers.

GM threatens Chile over car plan

BY ROBERT LINDLEY IN BUENOS AIRES

ALBERT BUCHANAN, the manager of General Motors assembly plant in Chile, is threatening to sue the Pinochet government if it puts into effect a plan which would appreciably reduce import duties on cars.

President Augusto Pinochet has announced that legislation is under consideration which would permit the importation of any automobile of a value of less than \$1,250 on the payment of only 10 per cent in customs duty plus 20 per cent of added value. Vehicles of higher value would have progressive tariffs applied to them, and moreover used vehicles could be imported, something which now is prohibited.

It has been pointed out in official spheres that such new legislation would bring down the prices of automobiles now costing between \$4,000 and \$5,500 in Chile by as much as 50 per cent. After 15 years of

prohibition, the Pinochet regime permitted the importation of new automobiles, most of them Japanese or Brazilian made.

The legislation now under study would reduce customs duties gradually, from the present 115 per cent to 105 per cent this year to arrive within

four years at 75 per cent.

Automotive industry spokesmen in Chile say that this would be a change in "the rules of the game." Mr. Buchanan says that GM's contract with the Chilean Government establishes that the conditions would not be changed for 10 years.

Danish export markets

BY HILARY BARNES IN COPENHAGEN

FOR THE second year running, Germany has become the largest market for Danish exports, displacing the UK for most of this century. However, the UK pushed Sweden out of the second place which it held in 1977.

Danish exports to Germany

in 1978 rose by 21 per cent to Kr. 11,080m and imports from Germany by 8.3 per cent to Kr. 16,800m. Exports to the UK rose by 10.9 per cent to Kr. 9,390m and imports by 6.9 per cent to Kr. 9,320m. But exports to Sweden fell to 2.0 per cent to Kr. 8,450m while imports from Sweden rose by 1.7 per cent to Kr. 10,820m.

Redifon flight simulator for Braniff

By Michael Donne, Aerospace Correspondent

BRANIFF, the U.S. international airline, has ordered a Boeing 747 flight simulator from Redifon Simulation, of Crawley, Sussex.

Together with two Boeing 727 simulators built by Redifon, this brings to £2m the investment by Braniff in flight training equipment. A fourth simulator may be acquired in the future.

Captain Dale R. States, Braniff's staff vice-president, flight training, says that the airline can now carry out training more effectively in simulators on the ground than in the air. The airline uses Boeing 727s exclusively on its widespread U.S. domestic network, and has three 747s for international use with another eight on order. Redifon Simulation is a member of the Redifusion organisation.

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Communications

Getting to and from Wales has never been easier.

Rail links serve all parts of Wales, connecting with the North, the Midlands and the

South East. The Inter-City 125 passenger service has shortened the journey from Cardiff to London to under 2 hours. Fast streamlined transit is provided by Freightliner services, while Speedlink offers an overnight freight service to most parts of Britain and Europe.

Much is being done to upgrade and improve the roads throughout Wales. The M4 reaches into South West Wales providing a direct route for the passage of goods to the London area and the Midlands.

Cardiff Wales Airport is now the regional airport of the South West. And, having the benefit of the interport removal centre, fast and efficient through movement of goods is ensured.

Well-equipped Welsh ports handle a large percentage of Britain's imports and exports.

Companies already in Wales

Perhaps the best incentive of all for moving to Wales is the experience of the companies who have made the move already.

Remember for instance the huge expansion plans of Ford currently under way.

Many other companies have also found that moving to Wales has proved successful. So you certainly won't be alone in deciding on Wales.

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What sort of carrot will it take to persuade you to move to Wales?

Blast study blames sodium chlorate

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE HEALTH and Safety Executive has attributed most of the £6m worth of damage caused by a warehouse fire at Renfrew, Strathclyde, to exploding drums of pure sodium chlorate, a chemical that has never been classified as an explosive in the UK or abroad.

It wants sodium chlorate to be reclassified as a potentially highly dangerous substance. It also seeks a review of regulations governing transport and storage of the chemical.

The executive's report on the Renfrew warehouse fire of January, 1977, in which 13 people were injured, was published yesterday. It discloses that pure sodium chlorate has been known to explode before.

Research had "disclosed that on at least six occasions since 1899 stores of potassium chlorate or sodium chlorate in an almost pure state have been implicated in explosions—most recently in a warehouse at Hamilton, Lanarkshire, in 1969 and in a ship at Barcelona in 1974."

The report says that the fire at the Brachhead container depot, Renfrew, was started by three boys. They were cold and lit a fire against the wall of a bitumen-covered shed containing 1,700 drums of sodium chlorate.

Drops of flaming bitumen began to fall on the drums. The explosions that followed wrecked the shed and a bonded warehouse nearby containing 20,000 cases of whisky and 80

barrels of spirit.

The report says that if the fire had not occurred on a public holiday far more people would have been injured, or killed. But James Kelman Transport and Storage, which had the lease on the shed containing the sodium chlorate, "could not have foreseen the disastrous explosive potential of the material in the light of knowledge existing before the incident."

No legal action is to be taken against the company, but the report stresses that it was unwise to store sodium chlorate in a building clad with inflammable bitumenised corrugated steel sheets.

Sodium chlorate, an oxidising agent used in making weedkiller

and matches, has "long been known for its unpredictable behaviour" when mixed with other combustible chemicals, the report says. But the consignment at Brachhead was 99 per cent pure.

At the time of the fire it was the "generally held view" that commercially pure sodium chlorate would not be expected to explode even under intense heat and conditions of confinement, such as existed at Brachhead. That view "did not accord with the evidence of the explosion" and therefore the research and laboratory services

division of the Health and Safety Executive carried out fire trials with drums of sodium chlorate like those at Brachhead. The trials proved that sodium chlorate could explode.

The report suggests that all bodies, national or international, concerned with the storage, conveyance or handling of sodium chlorate should reconsider the dangers and recommended precautions.

Sodium chlorate stored in bulk should be kept in a separate, fire-resistant store-room or building. The report calls for further research into the way sodium chlorate and similar chemicals behave under intense heat.

● *The Fire and Explosion at the Brachhead Container Depot, Renfrew, January 4, 1977 (HMSO, £1.75p).*

Factory building drive in Wales

By Robin Reeves, Welsh Correspondent

A £30M ADVANCE factory building programme—the biggest ever in Wales—is to be implemented over the next two years by the Welsh Development Agency.

The programme, three times larger than any previous WDA factory programme, will provide an additional 1.5m sq ft of manufacturing space spread throughout the eight Welsh counties.

The agency plans to put the programme into effect on what it calls a production line basis. Factory building in individual areas will be topped up with new projects after a review of the employment and industrial space needs of individual communities.

Demand

The WDA and the Government have been encouraged to step up advance factory building by the current high level of demand for "off the shelf" manufacturing space in Wales.

After a lean period of several years, 100 advance factories were formally allocated last year to companies either establishing or expanding in Wales.

So far this year, a further 28 factories with a total area of 173,500 sq ft have been formally allocated. Another 81 factories amounting to 647,000 sq ft have also been provisionally booked.

A feature of the new building programme will be the availability of 750 sq ft units, suitable for small businesses. These are half the size of the smallest standard factory provided.

During the past two years, the WDA has announced four general programmes of advance factory construction and two special building drives in the Ebbw Vale and Cardiff areas, undertaken with special Government aid to help communities hit by steel closures.

These will provide a total of 306 advance factory units amounting to 1.9m sq ft of new space, most of which will become available for occupation progressively this year. The demand for space has been so great that only 25 units totalling 300,000 sq ft are complete and are available for letting.

Rover sells 1,000 cars to Japan

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

A £12m contract for the sale of Rover 3500 cars to Japan was signed in Coventry yesterday.

The deal, renewable annually, is for the supply of 1,000 Rovers to Mitsui, the Japanese trading house. It will be the first time the Rover 3500 has been exported to Japan.

Mr. Shogoro Ariga, chairman and managing director of Mitsui Europe, said that early indications were that the car would prove a success in Japan.

BL entered a joint venture with Mitsui in 1977 to form Leyland Japan, to import and

market the vehicles. Mr. Peter Murreough, sales and marketing director of Jaguar Rover Triumph, said the Rover deal marked a move into the more volume-oriented sector of the Japanese market. It would now be possible to strengthen the company's dealer network.

More than 2,000 Jaguar, MG and Triumph cars, worth over £16m, were sold to Japan last year compared with 515 in 1975. "We set ourselves a target of £25m worth of sales in Japan by 1981 and this year we are aiming to top the £20m mark," Mr. Murreough said.

Companies Bill clause on directors' duty stands

BY ANDREW TAYLOR

CONSERVATIVE MPs yesterday failed to amend a clause in the Companies Bill which will allow

workers to take their company directors to court for failing to look after employees' interests.

The clause states that a director, in addition to his duties to a company, owes a further duty to look after the interests of employees.

Mr. Cecil Parkinson, Conservative MP for Hertfordshire South, said that the wording of this clause meant that employees

would enjoy greater benefits and protection than shareholders.

The Conservatives had proposed an amendment which stated that a director's sole duty was to the company but in carrying out this duty a director should have regard to the interests of both shareholders and employees alike. This was defeated by a single vote.

The Bill is still in the committee stage.

Barrow Hepburn group appoints chief executive

BY ANDREW TAYLOR

THE NEW chief executive of the Barrow Hepburn group is Mr. Raymond Way, currently deputy chairman of BOC's gases division. He will join the company on June 1.

The former chief executive, Mr. Richard Odey, resigned last September after Barrow's decision to stop its major leather goods activities.

Two years ago Barrow's troubled tanning interests were placed into a new company, British Tanners Products, which Barrow jointly owns with the National Enterprise Board.

The group recently revealed problems at its Schrader Mitchell and Weir subsidiary where it alleged that losses are a result of "serious irregularities." A report on Schrader's by accountants Whitley Murray, has been passed to the Fraud Squad in Glasgow.

Mr. Way, a qualified engineer, has been a director of the BOC Group and was formerly managing director of Brooke Tool Engineering Holdings. He has been with BOC's gases division for five years.

Demand for British executives falling

THE DEMAND for UK executives by overseas companies fell sharply in the last quarter of 1978, according to a study by MSL International, the management consultancy.

The number of vacancies advertised in the last three months of 1978 for professional, technical and managerial executives to work overseas was 30 per cent below the previous quarter and 46 per cent below the same quarter of 1977.

MSL's analysis is based on recruitment advertising in a wide range of newspapers and journals. Overseas jobs monitored for the whole of 1978 were 25 per cent down on the previous year.

The greatest demand continues to come from the Middle

East and the Gulf, although this dropped in the last quarter of 1978. MSL considers that this may herald the start of changes in the geographical pattern of executive demand.

In its analysis of demand for executives within the UK, the management consultants also noted a marked downturn in the last quarter of 1978, but report that demand last year was marginally better than in 1977, and the best since 1974.

There was a particularly strong demand for computer specialists, which was the highest for 10 years. Sales and marketing executives were also in firm demand in 1978 but the number of appointments in the accounting and financial sector remained unchanged over the past three years.

Appeal for new private hospital

A £1.35M APPEAL was launched yesterday for a planned new private hospital to serve Merseyside.

The appeal, launched by Sir Douglas Crawford, Lord-Lieutenant of Merseyside, is for money to cover building and equipment.

A former preparatory school at Heswall, on the Wirral peninsula, has been bought for the hospital, Murrefield, which will initially have 30 beds, possibly rising to 45, and which will be able to deal with 1,500 patients a year.

Private beds in National Health Service hospitals, have been cut to 11 in the Wirral, and those might be phased out.

Increase of 22% in moped sales

IN SPITE of the bad weather last month, sales of mopeds fell just 4 per cent compared to February last year.

Moped registrations, however, rose by 22 per cent and scooter sales increased 5 per cent from 200 to 210.

Atlantic air travel up 15.2%

By Michael Denne, Aerospace Correspondent

AIR TRAVEL on the North Atlantic, as measured by the member airlines of the International Air Transport Association (IATA), rose 15.2 per cent last year to more than 13.78m passengers.

If traffic carried by independent airlines is included the total exceeded 14m.

Figures issued by IATA show that scheduled-service traffic rose 21.7 per cent to nearly 12.6m passengers. Within that total economy-class travel, including users of cheap Stand-by and other low fares, rose 21.9 per cent to more than 11.8m, while first-class traffic rose 19.3 per cent to more than 768,000.

Passengers on charter operations conducted by IATA members fell by 26.7 per cent to just over 1.17m. Charter operations by independent airlines also declined.

The total number of Atlantic flights rose only 1.7 per cent to 83,381, reflecting the increasing use of wide-bodied jet airliners, each carrying more passengers.

● Trans World Airlines will introduce a cheap round-trip Advance Purchase Excursion (APEX) fare of \$249 (£124) between New York and Frankfurt from April 29. This is 72 per cent less than the normal economy class return fare and 37 per cent lower than the round-trip Apex rate.

Haringey parents will fight on

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

PARENTS in North London are to take to full trial their test case against the Haringey education authority which kept its schools closed for four weeks during the strike by caretakers, which was only recently settled.

Although Appeal Court judges yesterday dismissed by two to one the parents' claim for an interim injunction against the authority, all three judges agreed that the parents had a right to full trial of their case.

Lord Denning, Master of the Rolls, said that on the evidence before the court, it appeared that the National Union of Public Employees and the General and Municipal Workers' Union were the "dominating influence" in requiring the schools to be shut.

The local council closed them at the behest of, and in agreement with, the unions.

"In so doing the council broke their statutory duty and the union leaders were inducing them to break it. Such conduct was in my view unlawful and the union leaders have no immunity in respect of it."

Lord Denning added that Mrs. Shirley Williams, Secretary for Education and Science, had written to the parents saying that the council had not failed to discharge its duty.

"If she thought that the duty of the borough council was only to provide the school buildings and no more, I think she was badly advised on the law," he commented.

"As I read the statute it was, and is, the duty of the borough council not only to provide the school buildings, but also to provide the teachers and other staff to run the schools and, furthermore, to keep the schools open at all proper times."

Lord Justice Eveleigh also said that the unions had no right to ask or to demand that the council should close the schools. But it might be that the authority had been trying to do its best by avoiding provoking a situation which might have caused greater damage to children's education in the long run.

"I don't say that that was the case, because the matter has to be tried," he added.

Sir Stanley Rees, the other judge, said that there was other evidence. At for consideration at a full trial, that the Haringey Council had acted unlawfully in not taking steps to re-open the schools during the strike.

Later, Mrs. Nicky Harrison, chairman of the Labour-controlled authority's education committee, denied that there had been any collusion with the unions concerned. She viewed the judges' decision as a total victory for the council.

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STATEMENT BY THE CHAIRMAN, MR. A. M. HODGE

To be presented at the Annual General Meeting on March 20th, 1979.

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GROWTH AND ACHIEVEMENT

During the past year, thanks to draconian measures taken to control both prices and wages, the rate of inflation fell to a figure which, though still terrifying, was less by a long way than many of us had feared. In previous statements I, and my predecessors, have had sad cause to point the finger of criticism at governments of one complexion or another whose abnegation of their duties "mused the pinion that impelled the steel". It is just, therefore, to acknowledge what has been achieved, even if it appears only too probable that these painful gains are now to be cast aside in a confrontation between Trade Unions and Government in which neither side can win, and national loss is inevitable.

The achievement in the past year, when earnings increased in real as distinct from monetary terms, made a healthy climate for all engaged in promoting national savings, and the life insurance industry as a whole found a buoyant demand for its products. I am glad to say that Standard Life did more than merely reflect the general market trend. Our percentage increase in new premium income was substantially more than the average. This reflects not simply the qualities of the products we have to offer the public but also the skill, knowledge and industry of those engaged in selling them, coupled with the service and support they receive from their colleagues on our administrative staff. They have all done well. The figures speak for themselves. We issued, in the United Kingdom, over 80,000 policies, an increase of more than a quarter as compared with the previous year, and this with virtually no increase in the number of our sales staff. On average each of our inspectors sold 360 policies and generated new annual premium income of over £80,000, which is about half as much again as in 1977. Our pensions sales staff also handled substantially increased business. At Head Office and in our Regional Offices all this increased volume of work was handled by a staff who numbered fewer than in 1977. This is a magnificent achievement which reflects the greatest credit on all concerned. In the Republic of Ireland the results were equally encouraging.

NATIONAL PENSIONS

The date which so long loomed large on our horizon, 6th April 1978, has come and gone. This was the day on which decisions to contract-out of the new State pension scheme, established by the Social Security Pensions Act 1975, became effective. Preparations for meeting the requirements of the Act, for amending existing schemes and introducing new ones have been a major pre-occupation ever since the Act was passed. We set great store on our reputation for the efficient administration of our pensions business and all sections of our organisation are to be congratulated on their success in coping enthusiastically with the additional work-load resulting from the Act, and from substantial increases in business. What proved to be a formidable challenge was triumphantly met.

Some figures may illustrate just how formidable the task was. More than 250 new clients and over 750 of our existing clients sought to contract out and all of them received their certificates in time. More than that—over three-quarters of these schemes which contracted-out did so using definitive documents, an achievement which we believe to be unique. The staff involved in this work deserve every praise, especially when they were simultaneously engaged in coping with the work necessary to comply with the legislative requirements on preservation, equal access, employment protection and the like. The burden thus placed on the shoulders of employers, trustees and insurers alike may be gauged by the fact that even our team of proved ability cannot improve on an estimate that it will take about a year to clear the work now piling up on their desks through the sheer weight of this legislative action. We are surely due for a breathing space and a period of consolidation though the omens for this are not favourable. The Occupational Pensions Board, for example, has been charged with consideration of means of ensuring the solvency of pension funds, and of the thorny problem of the preservation of pension rights when an employee changes his job. I am not convinced that either is a suitable subject for legislation. We must never lose sight of the fact that an employer who sets up his own pension scheme is normally seeking to provide benefits for his employees in excess of those provided by the State. It is a decision he has chosen to make for their benefit, and deserves encouragement, rather than, through legislative action, being made a burden which may be too great for some to bear.

THE INSTITUTIONAL IMAGE

This year has seen a good deal of comment, and even some legislation, about both the role and duties of insurance companies as a source of funds for public and private investment alike, and also their relationship with their policyholders. The evidence which the industry submitted to Sir Harold Wilson's committee must have gone a long way to convincing anyone of open mind that any shortage of finance for investment in industry cannot reasonably be laid at the door of insurance companies. Another fallacy which has been much aired in some quarters is that the institutions act in concert to make available, or to withhold funds from either the public or the private sector of the market in order to bring pressure to bear—the so called "investors strike". This will not stand critical examination for a moment. We live in a highly competitive world, one in which it is sometimes hard to secure general agreement among life offices about matters where their interests are clearly at one (scales of commission, for example). It would be astonishing if offices were to give up their rights to their own investment decisions and policy in order to toe a party-line. It should not be a matter of surprise, however, that numbers of skilled investors may independently come to similar conclusions about the economic health of the country, and frame their

policy accordingly, but this is a long way from concerted and deliberate action. The Chief Secretary to the Treasury recognised as much when, a few weeks ago, he went so far as to acknowledge that the support which insurance companies and pension funds had given voluntarily to the Government's borrowing programme had far transcended the bounds of anything he would have thought it reasonable to attempt to achieve by compulsion. Long may it remain so!

Some of the legislation to which I refer is welcome, some is harmless and some I believe to be unnecessary but all of it adds to the costs imposed on our policyholders. New regulations affecting intermediaries are coming into effect and as an office which obtains its new business through an agency system we welcome the efforts to enhance the status of the insurance broker. We must however wonder at times whether some of the protection which it is sought to provide for consumers is not against evils which exist mainly in the imagination. All too readily the industry is presumed to be guilty until it proves its innocence. Comment in Whitehall, and even in Fleet Street, tends to concentrate on the alleged shortcomings of insurance companies, and not on the fact that in Britain we have a life assurance industry which, by and large, has served its clients well, has made a major contribution to national prosperity, and which is as competitive in price and as efficient in service as its counterpart in any other country.

An example of the type of attitude to which I refer was provided recently by the Department of Fair Trading. They issued a press release reporting their Director as having, in a speech in Glasgow, criticised the sales methods of insurance companies as not being in the interests of the consumer. These criticisms were not well founded, as could readily have been confirmed before they were publicised, and the incident throws more light on the state of knowledge within the Department than on the alleged shortcomings of a major industry.

OUR SOCIAL RESPONSIBILITY

During 1978 we invested in the United Kingdom and Republic of Ireland rather more than £3m. each week. This is not a task to be taken lightly. Most of our Stock Exchange investments were made in Government Stocks—we increased our holdings during the year by £131m. We did not feel that the climate for the growth of earnings, and thus of dividends, was sufficiently favourable either here or in U.S.A. to large scale investment in ordinary shares. There is, at least in this country, no sign of an immediate change, and in some respects indeed even cause to fear worse to come. The causes of our malaise are barely in dispute but remedies are harder to seek. In some quarters one finds a reluctance to face reality, and a search for solutions which seem curiously irrelevant and even naive. It requires a trusting mind, for example, to believe that the introduction of "industrial democracy" by way of two-tier Boards or "worker" directors would, in some magical way, make industry in Britain as competitive as, say, its counterparts in Germany, yet if our industrial society is to survive and prosper we cannot be content with less. Stock Exchange securities are not, of course, the sole outlet for equity type investment. We have built up, over the years, a large portfolio of property investments. Our policy has been to concentrate mainly on new developments rather than to purchase completed properties which, at least at today's level of yields, we do not consider to be attractive investments. Our expenditure therefore tends, where major projects are concerned, to be spread over lengthy periods, to be measured in years rather than in months. During the year we committed ourselves to finance a number of large schemes including a major and imaginative office development in the City of London.

Property investment can evoke an unthinking response, which deplores the investment of policyholders' funds in projects of doubtful social worth. The truth is quite other. We aim to hold a balanced property portfolio of roughly equal proportions of office accommodation, shops, and industrial premises. Clerical staff need places to work just as much as manual workers need factories. Shops, apart from being an essential part of the distributive system, as was so clearly demonstrated by the public response to the threat of shortages caused by the recent lorry-drivers dispute can sometimes claim to be significant earners of foreign currency. The bus loads from France and Belgium who weekly beat a path to the doors of the major shopping centre financed by our money, at Brent Cross, are evidence of this. So, on an admittedly smaller scale, is the similar traffic between Scandinavia and the North of England. I take considerable pride in thinking that our investment has provided over 9,000,000 square feet of industrial and warehouse accommodation and that forward planning for a further 1,500,000 square feet has been completed. In Scotland property development provides greater opportunities for equity type investment than does the Stock Exchange and I am pleased that we are taking advantage of this. About 20% of our U.K. property portfolio represents investment in Scotland, ranging from offices and shops in the main cities, with a major shopping centre in Stirling, to our new industrial developments in the Lothians and in Fife. Truly our policyholders have no cause to be ashamed of the use to which their funds are being put.

For in all our investment transactions we must never lose sight of the fact that the vast assets appearing in our balance sheet belong, not to a soul-less corporation, but to a host of men and women who have paid Standard Life the compliment of asking us to safeguard their savings for them. I quoted earlier Mr. Joel Barnett's tribute to the spirit which the institutions have voluntarily shown in their support of Government borrowings. The composition of our property portfolio is further proof of how seriously we take our responsibilities to the private sector of the community. We are, I think, entitled to ask whether either the country, or

our individual members could possibly benefit by these responsibilities falling into the hands of some Government authority either by direct nationalisation or by the imposition of some form of direction of investment.

CANADA

At the beginning of the year the Manufacturers Life Insurance Company approached us with a suggestion that our Canadian business might be transferred to them, and after careful consideration we entered into negotiations accordingly. It was a matter of great regret to me, and to my colleagues here, that our Advisory Board in Canada were unable to share our view of the merits of the proposals. In consequence they asked to be relieved of their responsibilities at the end of our financial year, and their Chairman, Mr. L. G. Rolland, resigned from the Board of Directors. In the event, as announced in the press at the time, owing primarily to legal difficulties it did not prove possible to bring the scheme to fruition.

As a result we have carried out a re-appraisal of our Canadian operations and the Board has affirmed its determination, not only to continue to operate in Canada, but to seek to develop and expand our business there where it can be done profitably. Fortunately, some of the factors which had caused disquiet now seem, possibly, to be less pressing than they appeared a year or two ago. The provisions for the use of the French language as contained in Bill 101, for example, as they seem likely to be applied in practice may be less onerous than we at one time feared. Inflation, thanks to two years' acceptance of the constraints of the Anti Inflation Board has been checked. One senses a calmer approach to the possibilities of a separatist Quebec than that which gave the overseas observer cause for concern a year or two back. All this adds up to a more propitious climate for a long term business such as ours.

Mr. J. C. Burns, President Canadian Operations, and his executive are actively reviewing the working of our Canadian Branch and I am confident this will lead to an even higher standard of service to our policyholders in Canada in future. In addition we propose to give them a more direct participation in the inner councils of the Company and to this end we are proposing to invite three leading Canadian businessmen to join us. I am delighted to be able to announce that Mr. H. W. Macdonnell, Q.C., who was formerly a member of our Advisory Board in Canada, has already accepted such an invitation.

I should like to express the appreciation of the Board to the retiring members of the Canadian Board for their devoted service to the interests of the Company and to the executive and staff in Canada who during a difficult year have still managed to increase our new sums assured by over 10%.

BONUS

The favourable features mentioned in the opening paragraphs of my statement are reflected in the surplus disclosed by the annual valuation. On the one side of the account the fall in the rate of inflation, and the increase in our operating efficiency, have gone some way to offset the effects of rising costs, while on the other we have seen an increase in the earning power of our funds. The fears at which I hinted last year have not been realised, but it would be idle to ignore that in the short term there are no great grounds for optimism. We face once more the prospect of higher rates of inflation and while in such conditions we might expect to be able to invest at nominally higher rates of interest they cannot possibly be to the benefit of long term business such as ours. I feel bound therefore to repeat my warning that while Standard Life is as well placed to earn profits as any insurance company it is by no means certain that conditions will permit an indefinite continuation of the present levels.

But, having, as I feel I must, entered this qualification, there is no doubt that the past year has been highly favourable and our earning power has increased. It would be carrying actuarial caution to extremes to deny the benefits of this to our members because of the doubt that things may get worse in future. We have therefore decided to increase the rates of reversionary bonus applicable to policies issued in sterling or in the currency of the Republic of Ireland. Upward adjustments in the rates of terminal bonus have also been made. I am confident that these decisions will maintain our enviable record as a leading office for with profit policies.

STAFF

During the year we lost the services of a senior member of our executive. Simon Keppie, after forty years' service, retired in July from the post of Assistant General Manager (Finance). For the last fifteen years of his service he had been involved in investment work, but he had also given sterling service in most of the spheres of the Company's operations. His experience and quiet determination will be missed.

Our Chief Medical Officer, Sir John Croom, also retired during the year. He was appointed in 1946 to the post which his father had held before him. The association of Sir John's family with Standard Life thus goes back for sixty-five years and we have great cause to be grateful for the quality of the work he has done for us. We hope that our new pensioners may have long and happy retirements.

I referred earlier to our staff, and how their work had grown in volume, thanks to increased business, and become more complicated, due to increased legislative activity. It would be only too easy to take for granted the efficiency with which our smooth-running machine has handled these increases, but it would be wrong. It is the skill, the interest and the enthusiasm of our staff which have set the standards which keep us in the forefront of our industry and I should like, on behalf of the Directors and the policyholders, to express to them our warm thanks for a good year's work.

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What some don't know about Tyne and Wear would fill a book.

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If you have never even set foot in our Region, you don't know what you're missing.

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But we've more than money to offer. Learn how rich we are in sites, premises, labour, communications, housing, recreation. Learn how easily we can help cure your present development headaches. Learn that Tyne and Wear has the ingredients for successful relocation and expansion. It's all in our new booklet. Post the coupon without delay.

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Tyne and Wear
County Council

Name

Company

Address

Tel:

To: Peter Waring, Industrial Officer,
Tyne and Wear County Council, Sandford House,
Archbold Terrace, Newcastle upon Tyne 2.
Telephone: 0632 816144

REAL LIVING STANDARDS

BY DOUGLAS JAY

Britons may be better off than they think

HOW MUCH richer or poorer is the average Briton in terms of real consumption of goods and services, not merely money incomes, than those in other western countries? Comparisons continue to be widely made, described as being between Gross Domestic Product or even "standards of living," which are merely comparisons of money incomes calculated according to prevailing exchange rates, and make no allowance for differences in purchasing power. These are highly misleading and do not compare standards of living at all. If at existing exchange rates one country's price levels are half another's, the low-price country will require only half the money incomes of the other to secure the same real income; so that a purely money comparison is worthless. This is particularly relevant to comparisons involving the UK.

rough and ready "extrapolation" to 1973. These new UN statistics show how much nearer the UK's real standards are to those of other western countries than the crude money comparison suggests. For instance, in 1973, the UK's GDP per head in crude money terms was 50.6 per cent of GDP in the U.S., but in real terms 60.6 per cent of it.

a country may save more or less out of its GDP, real consumption is far from being the same thing as real GDP. Figures of real consumption per head are therefore also given by the UN survey for 1970 and 1973 (though not carried forward to 1975) as follows:

Real consumption per head as a percentage of U.S.

Real terms

Even more striking, in money terms GDP per head in the UK in 1973 was nearly 44 per cent lower than West Germany (50.6 per cent of the U.S. against Germany at 59.4 per cent of the U.S.) but in real terms 17 points lower (60.6 per cent against 77.4 per cent).

The main comparison between real GDP per head in the various countries in 1970, 1973 and 1975 is given by the UN survey as a percentage of the U.S. figures as follows:

Real GDP per head as per cent of U.S.	1970	1973	1975
France	73.2	76.1	79.5
Germany	78.3	77.4	79.2
Italy	42.3	47.0	47.1
Japan	59.2	64.0	65.1
Netherlands	68.7	68.4	70.5
U.K.	50.6	60.6	62.9
U.S.	100.0	100.0	100.0

Comparison

Far the most thorough and authoritative attempt to achieve a genuine comparison of real standards has been built up over recent years by a statistical team working for the Statistical Office of the United Nations and World Bank, led by Messrs. Kravis, Heston and Summers, under the title: *International Comparisons of Real Product and Purchasing Power* (published by the World Bank). The first results of this were published in the Financial Times on December 2, 1975 and showed many conventional assumptions to be wrong. They related to 1970, and covered both real GDP per head and consumption per head. Real consumption per head in that year—i.e., the standard of living—in the UK was shown to be very similar to that of France and Germany, about 62 per cent of the U.S., and a long way above both Italy and Japan. The reason why our real consumption remained comparatively high was partly our lower level of prices, but also partly the fact that we were consuming a higher proportion of our GDP than Germany, France or Japan, though not then the U.S.

The UN team have now brought these illuminating figures up-to-date for 1973, by a further detailed investigation of consumption and prices in many countries, and by a more

This table of course measures the ratio of a country's GDP to that of the U.S., so that a steady percentage does not mean a stagnant GDP, but merely one rising at the same rate as that of the U.S. A fall similarly means, not an absolute fall, but a failure to keep up with the U.S. The figures show that the UK has moved ahead about equally with the U.S. between 1970 and 1973, but also that since the UK accepted the Common Agricultural Policy, France and Germany—partly perhaps for this reason and partly doubtless for others—have gained relatively to ourselves. Further "extrapolations" to 1976 and 1977 can be made, which show a great change in comparative GDP between the countries in the list.

The above figures measure real GDP, not real consumption or the standard of living. Since

These are remarkable figures. They show, contrary to so many assertions and virtually for the first time, that at any rate up to 1973, there were only a few percentage points difference between actual living standards in the UK, France, Germany and the Netherlands. Indeed, in the case of Germany, the difference is within the margin of statistical error. Italy was markedly lower in both years.

Two morals

Two clear morals emerge from this study. First it is another sharp warning that if the UK continues to devote so much less of its income to investment than its rivals (other than the U.S.), then we must expect to lose further ground in the future. The UN figures do not question, but confirm, the belief that UK productivity and investment are too low. There can be no dispute on this score.

Secondly, however, the marked difference between the figures of money and real income show that our comparatively high living standards, at least up to 1973, were also partly due to the policy followed up till then of buying essential imports as cheaply as possible. How far that advantage has been eroded by the CAP, only the next batch of figures from the UN study can show. Probably, if a vigorous enough effort were made to keep food prices down nearer to world levels, some of it, and therefore our present standards, can still be preserved. And in any case it is well that the fact should be known.

Money supply targets criticised

By Peter Riddell, Economics Correspondent

THE GOVERNMENT'S rigid adherence to quantitative targets for the growth of the money supply is a source of chronic instability for both domestic financial markets and, according to City stockbrokers Phillips and Drew.

In their latest gilt-edged review, the brokers argue that the setting of official targets for sterling M3, the broadly defined money supply, has led to gyrations in capital flows and interest rates because of its impact on expectations in the gilt-edged market where the burden of adjustment falls.

Phillips and Drew say that neither the introduction of a tender system for selling gilt-edged stock nor the creation of new types of public sector securities offers a solution to the problem of financial instability.

Other central banks, notably in Switzerland, have found the setting of monetary targets to be an inappropriate means of implementing a policy aimed at maintaining financial stability. The brokers argue that the financial framework in the UK is compatible with the authorities' pursuit of exchange rate stability and there is no need to risk undue volatility in the domestic financial markets.

Swiss

The UK authorities would be well advised to consider the Swiss example and abandon a quantitative monetary target in favour of securing an objective in terms of the exchange rate, with a related financial policy.

Phillips and Drew note that the target of a narrowly-defined money supply or a shift away from money supply control towards control of the banking system's reserves, which in practice would be the channel through which control over narrow money supply would be achieved, is a viable option.

The chief problem with setting a monetary target in terms of a widely-defined money supply and implementing monetary policy through direct control over a wide money supply measure is that it would require a significant extension of official control over the financial system, through the regulation of banking, society operations and possibly also local authority borrowing policies.

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The Manufacturers Hanover Way of Worldwide Banking



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A nuclear plant for the world's largest power company.
A shipment of grain for Eastern Europe.
Geobanking.
It is money moving and working around the world.

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Unlike most major international banks, Manufacturers Hanover does not enter a region or a country with a rigid operational philosophy. Instead, it adopts a way of banking that works best for a particular place at a particular time.

Geobanking.

In some countries, it dictates the opening of full-service banking offices, such as the Manufacturers Hanover branch in Frankfurt.

In others, it calls for the setting up of a specialized subsidiary, such as Manufacturers Hanover Asia, Ltd., the Hong Kong merchant bank.

And elsewhere, it may mean reliance on representative offices working with indigenous banking systems to form one of the most extensive correspondent networks of any U.S. bank.

Geobanking.

It is wholly responsive, since it fine-tunes banking to national and regional needs.

It is flexible, admitting swift adjustment to changes in prevailing conditions.

And Geobanking enables Manufacturers Hanover to marshal strengths from the worldwide resources of a \$40 billion organization.

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Call up the Dodge Commandos. Any time. Any place.



Whatever business you're in, whatever service you have to provide, you must have reliable, cost-effective transport.

A Dodge Commando truck will give you precisely that.

It can actually help cut distribution costs and achieve more efficient delivery operations.

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We're not going to back that claim with a long, tedious argument that quotes computerised figures with three decimal places, just to identify the odd penny you might save here and there.

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An open invitation to all companies that have never bought a Dodge Commando.

You may well be reasonably pleased with the vehicles you're running now. Or perhaps not.



But in any event, shouldn't you at least give yourself the chance to prove once and for all that you're as happy as you think you are?

Call up the Dodge dealer near you. Ask for a Commando demonstrator. For a couple of hours, or a couple of days. A week, even.

And if a week is not enough, say so. Take the truck away. Try it out on your toughest route.

We promise there will be no obligations on your behalf. Except to return the truck.



And there will be no hard sell from us. Except that, when asked, we will quote a very competitive price. And we also reserve the right to tempt you further with extra-fast delivery.

But the vehicle's appraisal, we'll leave to you. And to your drivers.

However, just in case you'd like some real evidence that Dodge Commandos can cut your transport costs—before you spend a few pence phoning the Dodge dealer—read on.

National fleet operators are calling up more and more Dodge Commandos. Ask them why...

Ask Carlsberg. "It's reliability and economy that are most important to us. Our vehicles clock up a big mileage and the routes covered combine long, fast runs with constant stopping and starting in delivery areas. In our experience, the Dodge Commando G16 is the best truck for the job."

Ask Debenhams. "Since the introduction of Dodge Commandos, our operating costs have reduced

considerably. Their excellent reliability record is confirmed by the fact that time off road has been reduced beyond all reasonable anticipation."

Ask National Carriers. "We've had experience with all British tractors of around 18 to 20 tonnes GCW. And currently, the Dodge tractors satisfy our needs in terms of specification and reliability better than all the others."

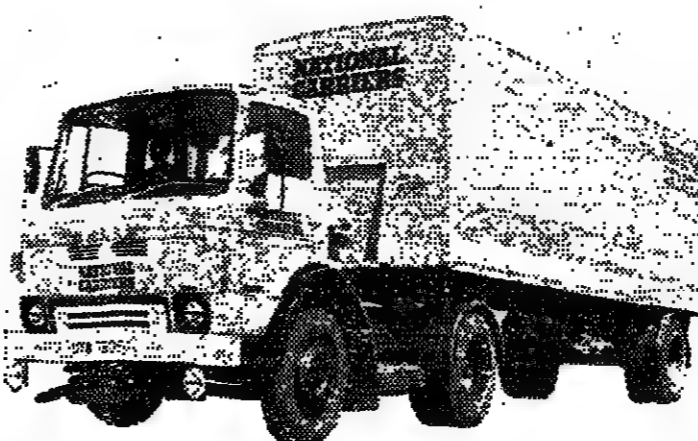
Ask Arrowfast Express, Robirch, Watney Mann, Scot Bowyers, Walls Ice Cream, London Co-op, Weetabix. Ask anyone.

Call up a Dodge Commando. Call one up now.

Dodge Commandos cover the entire weight range from non-HGV 7½ tonnes GVW through to 20 tonnes GCW.

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4x2 rigid, 7.38 tons GVW
Choice of two engines, four or five speed gearbox, single or two speed axle, three wheelbases.

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4x2 rigid, 8.5 tons GVW
Choice of three engines, four or five speed gearbox, single or two speed axle, three wheelbases.

G10

4x2 rigid, 9.7 tons GVW
Choice of two engines, four or five speed gearbox, single or two speed axle, four wheelbases.

G11

4x2 rigid, 11.2 tons GVW
Choice of four engines, four, five or six speed gearbox, single or two speed axle, five wheelbases.

G12

4x2 rigid, 12.0 tons GVW
Choice of four engines, five or six speed gearbox, single or two speed axle, five wheelbases.

G13

4x2 rigid, 13.0 tons GVW
Choice of four engines, five or six speed gearbox, single or two speed axle, five wheelbases.

G15

4x2 rigid, 14.5 tons GVW
Choice of four engines, five or six speed gearbox, single or two speed axle, five wheelbases.

G16

4x2 rigid, 16.0 tons GVW
Choice of four engines, five or six speed gearbox, single or two speed axle, five wheelbases.

G18

4x2 tractor, 18.0 tons GCW
Six cylinder in-line turbocharged diesel, five speed gearbox with single or two speed rear axle.

G20

4x2 tractor, 19.68 tons GCW
Six cylinder in-line turbocharged diesel, five speed gearbox with single or two speed rear axle.

Your Dodge dealer will advise you on availability of different engine and gearbox combinations for each model.

Demonstrators are on offer subject to availability. Consult your dealer for full details about all conditions relating to the use of Dodge demonstration vehicles.



DODGE COMMANDO



UK NEWS—LABOUR

Nurses continue industrial action as pay talks halt

BY PAULINE CLARK, LABOUR STAFF

RESUMED pay talks covering 400,000 nurses were adjourned yesterday without a settlement and no date fixed for a further meeting.

About 200 nurses, members of the Confederation of Health Service Employees demonstrated outside the Department of Health in London, as unions and management met.

Selective industrial action by 130,000 of the union's members will continue until the pay dispute is settled.

The Royal College of Nursing, the second biggest union, has decided not to join the action but to put pressure on the Government through demonstrations and a public petition.

All unions representing nurses are united in rejecting a 9 per cent pay offer plus £1 in advance of a comparability study. The nurses are demanding more than the £1 and are insisting that the first payment to result from the study should be made in April and not in August as the Government has proposed.

A joint statement after yesterday's talks said that there was disappointment that negotiations could not be completed because the Government had not yet given its final decision on the study and on the amount of the proposed on-account payment from April 1979.

Mr. David Williams, assistant general secretary of COHSE and secretary of the staff side, said that a realistic response to the nurses' claim had been expected yesterday and that the delay was a source of increasing frustration.

The nurses want the Government to take into account in this year's pay round an undertaking given in April last year by Mr. David Ennals, Secretary of Social Services, that their claim



Nurse Mrs. Amelia Curtis, from Leicester General Hospital, holds a baby doll adorned with the slogan "Nurses Pay—Jim's Baby," which a group of nurses delivered to No. 10 Downing Street, as pay negotiations resumed.

for payment in lieu of productivity would be considered. The unions insist that a response to this claim should be part of last year's 10 per cent settlement.

The unions' submission compared nurses' pay with the general level of non-manual earnings since 1973 when the Halsey Report completed the last major review of nursing pay. The increases recommended place nurses' three-quarters of the way up the pay scale for non-manual workers but since then pay had

fallen back in relation to other groups.

Average earnings of registered and enrolled nurses are put at £24 a week compared with £26 for women primary school teachers.

The National Union of Public Employees continued yesterday to step up industrial action in hospitals throughout the country in the pay dispute affecting its hospital ancillary workers. Areas affected included Manchester, Liverpool, Birmingham, Harrogate, Doncaster and Shrewsbury.

Protest at Rank closed shop

BY JOHN MOORE

A SHAREHOLDER protested yesterday about the Rank Organisation's closed shop policy.

Mr. Thom Robinson claimed at the group's annual meeting in London that there was opposition to a closed shop agreement among employees of Rank Toshiba.

He said that two employees had been sacked in October, 1978, because they declined to join the Electricians and Plumbers' Union.

Mr. Robinson added that although there had been requests for a ballot on the issue of the closed shop this had been refused by Mr. Hugh Crichton-Miller, managing director and the union's area secretary.

Mr. Robinson claimed that on the day of the sacking, 430 employees signed a petition at the company's main plant in Braintree protesting at the closed shop and 44 workers walked out.

Mr. Harry Smith, chairman of Rank Organisation, told Mr. Robinson, a member of the Freedom Association, that while sharing concern over closed shop agreements, the group had to take into account the general situation.

"Closed shop agreements are not against the letter or spirit of the law," he said.

'Anti-Concordat' by Left-wingers

A LEFT-WING attack on the recent TUC-Government statement on wages and industrial action, dubbed the "concordat," is published today by a trade union pressure group called the Rank and File Centre in North London.

Signed by 100 union members the "Anti-Concordat" is intended to mark the start of a campaign for free collective bargaining to coincide with the trade union delegate conference season.

Pay pact for Tyne Metro

Union leaders have negotiated a pay agreement worth about £108 a week for drivers on the £160m Tyne Metro rapid transit system.

Based on a Continental shift system, the agreement negotiated by ASLEF, the train drivers' union, will give the men a basic £72 a week plus £36

for extra responsibility and productivity.

The agreement clears the way for a dispute-free run-up to next year's introduction of the first "super-tram."

The Metro, already several months late, mainly because of labour troubles, should be fully operational in about two years.

Builders 'must pay going rate'

BY OUR LABOUR CORRESPONDENT

THERE WAS "little point" in building industry employers making a pay offer based upon the Government's 5 per cent guideline, Mr. Frank Gostling, president of the National Federation of Building Trades Employers, said yesterday.

"Coming, as we do, so near the end of the annual wage round we have seen this guideline figure overtaken in far too many instances to render it credible in our case," he said. "So our attention will have to be directed to what is happening elsewhere. The phrase that seems to be on everyone's lips is 'the going rate,' whatever that may mean."

The employers will reply to a claim for substantial increases at a meeting with the unions in the Building and Civil Engineering Joint Board on March 27.

Mr. Gostling, speaking at the

federation's annual meeting in London, gave no indication of what the employers would offer but complained that the union side had "not completely quantified what they are looking for in terms of pay."

The unions had said that guaranteed minimum earnings would have to rise by at least 20 per cent to keep pace with inflation. But in addition there were other pay aspects to the claim and "if you add these points in we are already talking about 50 per cent or more."

This, however, was not the end of the story. The claim also asked for sick pay at average earnings from the first day of absence and a shorter working week.

Mr. Gostling made it clear that the building employers will take the same firm line as those in other industries against a reduction in working hours. "We are not contemplating any reduction in the 40-hour week for the period of the forthcoming settlement or in the form of any forward commitment."

● Sir Derek Ezra yesterday made an appeal for the UK to adopt a positive, long-term approach towards the maintenance of its energy independence.

Speaking at the Building Trades Employers meeting, Sir Derek said the maintenance of our energy independence should be one of our prime objectives when the North Sea oil supply diminishes.

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G.K.N., KELLOGG'S, METAL BOX COMPANY, CONTINENTAL CAN, E.R.F., JAEGER, G-PLAN, J.C.B., TETRA PAK are, between them, investing over £100,000,000 in industrial development in Wrexham.

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Please send me details of industrial incentives at Wrexham.

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Company _____
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Report from Number One Wall Street

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Irving international specialists handle trade, project and syndicated financing on a worldwide scale. And we provide

lines of credit, advances, acceptances and both short- and medium-term financing in all major foreign currencies.

Our overseas expansion continues.

Milan is the home of our newest fully staffed branch office. It adds another key financial center to our international network which includes branch offices in London, Frankfurt, Milan, Tokyo, Taipei, Singapore and Grand Cayman. Plus representative offices in Beirut, Buenos Aires, Caracas, Hong Kong, Manila, Melbourne, Paris, Rio de Janeiro, Teheran and Toronto.

In other words, in addition to our strong U.S. banking position, Irving is a major factor on the international banking scene.

Banking, personal style.

Just as we're getting ready to serve an international gathering at Lake Placid, we're ready to serve customers anywhere in the world. You'll find that our style is very personal: personal commitment and personal attention. We think that's unique. Perhaps you will, too.

Irving will have banking offices at the Olympic Games, Lake Placid, New York.

Nottingham miners voting on Teversal pit closure

BY OUR LABOUR EDITOR

NOTTINGHAMSHIRE 33,000 miners will ballot today on whether to take industrial action against the decision of the National Coal Board to close Teversal colliery.

If they vote for action, the national executive of the National Union of Mineworkers will consider putting into effect a recent executive decision about such closures, and hold a national industrial action ballot.

The North Nottingham area of the Coal Board said yesterday that a strike over Teversal would be costly to the industry as well as Nottinghamshire miners.

It said that it was investing £40m a year in the area, and that all Teversal's miners would be offered jobs elsewhere in the area. None would need even to move house.

The union, whose executive resolution concerns failure to agree about closures not due to the exhaustion of reserves, has argued that closure of Teversal in 1981 is premature when there are still 2.6m tons of coal in the Clowse seam. The Coal Board says that to extract these reserves would cause heavy losses and that working conditions would be difficult.

Vickers workers prevent machines leaving plant

BY OUR TYNESIDE CORRESPONDENT

WORKERS AT the threatened Scotswood Vickers plant at Newcastle upon Tyne decided yesterday to ban all finished parts leaving the heavy engineering factory.

Their action followed a management announcement that 230 of the 700 workers are to receive redundancy notices to take effect on April 6.

Among the heavy-duty parts blacked are four presses for Ford and Vauxhall and a

sophisticated aircraft testing device for the Chinese Government.

Mr. Peter Tolshard, the works convenor, said they had decided to step up the campaign because they felt the redundancy notices should have been suspended pending talks with the Government on ways of trying to save the plant, which is due to close completely in September.

Dismissal suit too late

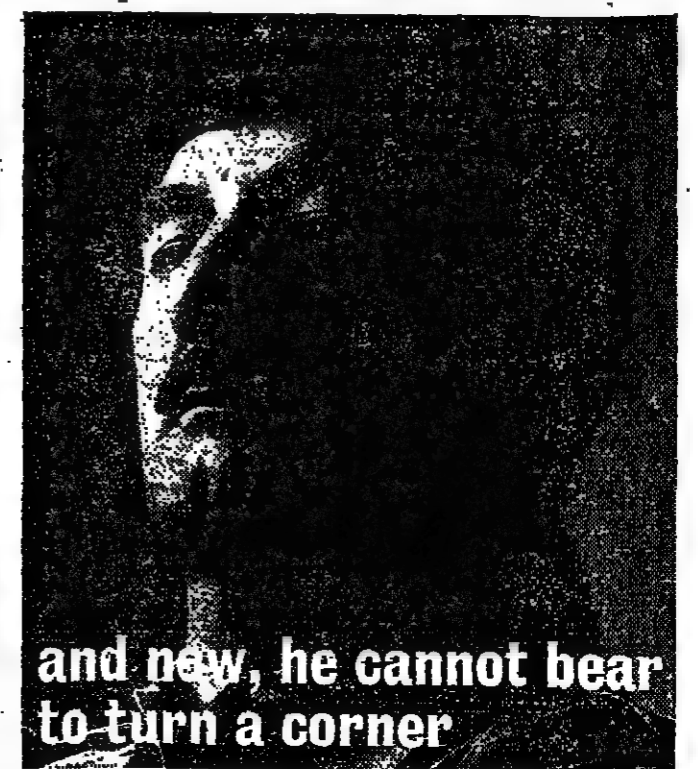
A FACTORY worker was advised by an industrial tribunal chairman yesterday to consider taking legal action against a solicitor who had advised him to drop a claim of unfair dismissal.

A workmate, also dismissed after a dispute over voluntary overtime, had ignored the solicitor's advice and had been awarded compensation of £5,087, the tribunal at Shrewsbury was told.

Mr. Thomas Hitchen, aged 44, a ceramics sprayer, of West Avenue, Middlewich, Cheshire, was refused a hearing of his application because it was too late.

His first application—with drawn on legal advice—had been made within the statutory three months; the second, five months late, had been made following the award to his workmate, the tribunal was told.

Perhaps the bravest man I ever knew...



and now, he cannot bear to turn a corner

SIX-FOOT-FOUR SERGEANT "Tiny" Gostling, DCM, was perhaps the bravest man his Colonel ever knew.

But now, after seeing service in Aden, after being booby-trapped and ambushed again more recently, Sergeant "Tiny" cannot bear to turn a corner. For fear of what is on the other side.

It is the bravest men and women from the Services who suffer most from mental breakdown. For they have tried, each one of them, to give more, much more, than they could in the service of our Country.

We look after these brave men and women. We help them at home, and in hospital. We run our own Convalescent Home. For some, we provide work in a sheltered industry, so that they can live without charity. For others, there is our Veterans' Home where they can see out their days in peace.

These men and women have given their minds to their Country. If we are to help them, we must have funds. Do please help us with a donation, and with a legacy too, perhaps. The debt is owed by all of us.

"They've given more than they could—please give us as much as you can."

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Survivors in the big game

ONLY 252 of the 1,907 original entrants in the 1979 national management championship still have a chance of sharing in the 3,500 major prize-money. Even so, the 755 teams knocked out at the first round, just ended, have the option of continuing at the price of £35 into the "Plate" competition, whose winner and two runners-up will respectively receive £500, £250, and £100.

Closest finish

As well as breaking the 1,000 barrier with its initial entry, the 79 contest has also broken the cord for the closest finish. In the first round's playing out, a team calling itself "numeral-durable company" to massive profits of £3,256,490, it the margin by which it edged into the second round, ahead of its nearest rival Anrojojo (which I presume signifies a five-person team) was a mere £390.

"As for trading conditions in the second round," says Jack yzell, chief administrator of the championship, "we're seeing horrible planned. Things will just be a bit gher, that's all."

Round two starts on Monday when it ends on April 20 survivors will be down to 100. Thereafter two more rounds, played mainly by post, will sift the four teams who will meet in the final in the championship final in London on July 20.

Michael Dixon

John Elliott, who recently toured China, reports on what he found

China takes a leaf out of the West's management book

MAJOR CHANGES are gradually being introduced in the way that China runs its economic and industrial affairs. Slowly, the new leadership of Premier Hua Guofeng and Vice-Premier Deng Xiaoping is moving towards the adoption of some of the methods of a mixed economy in an attempt to push the country into a rapid 20 years of massive industrialisation.

This involved the acceptance a few months ago of the foreign notions of financial credit and commercial law in business transactions, and is now leading Peking Ministries into considering the even more radical step of forming joint business ventures between China and overseas companies.

Monetary incentives are also being introduced for both shop floor workers and managers, and like any Western nation with an alienated and unproductive workforce, the Government is also interested in experimenting with modest forms of employee participation.

Such changes form a major break from recent Chinese traditions, because they involve acceptance of the need to increase productivity and profits, the replacement of revolutionary committees running factories by more conventional management structures, and the devolving of central bureaucratic control away from Peking.

There are some parallels here with the way that Yugoslavia moved away from centralism 30 years ago by transferring power from central bureaucracies to provincial and municipal levels of government, while at the same time creating workers' councils in factories to provide a form of collective management. Although this process is only just starting in China, the Government has made it clear through public newspaper statements that it realises the limitations of the present centralised system and intends to give individual cities and factory managements more power of initiative over matters such as production plans, and methods and the level of wages and bonuses.

Few if any of these changes of policy have, however, yet had much effect and, indeed, some of them are only now being announced by the Government. So the visitor to Peking and other industrial centres in China is regaled by other foreigners with stories about high absenteeism, excessive overmanning in industry, and about cases of factories in places like Shanghai and Canton having to shut down from

time to time because of a shortage of electricity.

Even the briefest of visits to factories and industrial areas underlines both the vast leap forward that China has to make industrially and the extreme contrasts that exist within the country, especially between the cities and the peasant-occupied areas only a few miles away.

Consumer goods such as radios, toys and cars look like European and American designs of the 1940s and 1950s but are intermingled with more modern products. Although there is little if any private ownership of cars, the country is desperately short of cars and has recently imported Toyotas from Japan for the Peking taxi fleet.

China's only factory producing saloon cars (as opposed to large black Government limousines) manages an annual output of only 2,500 "Shanghai Sedans" plus about 5,000 light trucks from a workforce of 2,000. The contrasts are evident here. The car factory has a body assembly track that scarcely moves forward as men and women work hard with files and hammers to make body panels fit together on what eventually emerges as a large 1950s-style family saloon, while a nearby machine shop has the same sort of machine tools and presses found in many British engineering factories and only needs a little automation and reorganisation to be brought up to date.

Contrasts

There are even greater contrasts in the coal industry, one-third of whose 600m tons a year output comes from pits operated by local peasants. In Datong, just west of Peking, which is one of the country's major mining areas, miles of run down buildings line roads filled with peasants on donkey drawn carts carrying coal and other produce. But the road leads to the relatively modern Silaogou mine which contains some of the latest Dowty pit props from Britain.

Such a country of contrasts can be hard for a foreigner to work in and managers from the West now operating in China tell stories about the impossibility of trying to function with the slow but cunning central and provincial bureaucracies, with a workforce which has been demotivated by egalitarian policies, and with managers and technologists who have been starved of training for more than a decade.

The overmanning makes



Mr. Eric Varley, the Industry Secretary, inspects a Shanghai Sedan on his recent Chinese tour.

British Leyland look lean and hard and some people say that the absenteeism in fact is beneficial because it trims the number of people actually at work to a potentially manageable size and stops overcrowding. It is how one observer of the Chinese industry puts the problem. "People just seem to turn up to work when they want to and have no fixed tasks to perform. And the management has little expertise and is often made up of leaders of the old revolutionary committee with different titles."

The answer to this from Chinese officials and factory directors is that all these faults stem from the excesses of the Gang of Four that ruled China towards the end of Chairman Mao's life.

During that time industry was run by revolutionary committees which were set up ten years ago covering over all factories and individual workshops. It is difficult to establish how effective or otherwise they were because they are now banished with the general condemnation of the Gang of Four. They are therefore blamed for everything that is wrong with Chinese industry. They are supposed to have demotivated workers by setting work quotas that were too high and to have allowed anarchy to reign with bad time keeping and poor safety standards. Administrative staff and young workers are said to have been allowed to stay away from work and training was ignored, while the committees themselves indulged in endless and aimless debates.

Now, it is explained, the

revolutionary committee also included some people who were not proficient in management and they have now gone to other jobs."

The third force in a factory is the trade union whose functions are very different from those in western countries with adversarial traditions of labour relations. Wages are fixed nationally in China and have little local variation although the new leadership is encouraging the idea of local financial incentives. As a result, at the Shanghai car factory for example, there is now an annual bonus, adding about 10 per cent to wage levels. There is therefore no wage negotiating, but the unions can complain about working conditions on behalf of their members. Current issues, for example, include work quotas on Shanghai docks and job gradings in the car factory.

But the main work of the trade unions is to look after welfare issues, to encourage worker education, to help boost productivity and, guided by the party committee, to help with political education. After a meeting of the All China Federation of Trade Unions at the end of February, a statement was issued which illustrates the union role. The statement called on unions and political committees to strengthen their "political and ideological work" and "to cultivate lofty revolutionary aspirations among workers, to educate them in revolutionary traditions, and encourage them to exert themselves for the country's modernisation."

The unions could now become more important as a result of current moves towards increased employee participation. One of their jobs is to convene annual or biannual mass meetings - or congresses as they are called - of a factory's workforce where management's plans are discussed and complaints and views aired.

This does not however provide any significant degree of worker control and in UK terms might well be regarded as merely a fairly common form of post-decision making employee consultation. But the Chinese Government is presenting these congresses as an important development and says that, under the leadership of a factory party committee, they should support "correct" views and "reasonable" demands from workers and should "observe regulations and discipline in production and uphold the law and social order." Through the con-

gress the workers can also begin to exercise some control by complaining about their management. They can appeal through the party committee for a director to be removed.

In addition, following an initiative launched by Vice-Premier Deng at a national union congress last October worker representatives are now being elected to cover individual workshops - but not, it should be noted, complete factories. In the terms of the recent Bullock debate in Britain, this could be seen as building employee participation from the bottom upwards, which, put another way, means limiting the workers' influence over major affairs rather than broader company-wide issues. Whether that remains the aim, or whether a form of collective management develops, remains to be seen.

Speeded up

The election of these directors is now taking place in places like the Shanghai car factory and the Government is urging, through the trade union confederation, that the process should be speeded up.

At the same time the Chinese Government has also realised that it has to move fast to raise the standards of its industrial management because of the gap in learning and expertise created by the political upheavals of the past decade. The primary development appears to be the recognition of a manager's role and of the need to reward him with money and status. A Chinese Enterprise Management Association headed by a vice-minister from the State Economic Commission, and consisting of academics and managers, has also just been set up to raise management standards with the help of experience from abroad.

But it will not be easy for these managers, team leaders, congresses and party secretaries to span the contradictions between the political theories of Communism and the new aspects of the industrialisation programme. There may also be considerable resistance in the middle levels of the country's bureaucracy if they are bypassed in the shifting of power. The inheritance of the past decade will also take a long time to shake off and will need more consistency of political and economic policy - and economic and industrial success - than many observers believe is feasible.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Transfer veto

There is now a possibility that an outside purchaser may make an offer to discontinue minority shareholders of a family company, whose profits are considerable, directors salaries more so, and dividends nil. If so it is feared the directors will veto the transfers. Can anything be done?

There is very little that the minority shareholders can do. It is just possible that a case might be made out for a petition to the court under section 210 of the Companies Act 1948; but that would depend on the full circumstances of the case. You should consult a solicitor.

Losses v. gains

I live in British Columbia, but during the present tax year I may be considered as resident in the UK for tax purposes. If so, would losses on futures contracts I purchase outside the UK be deductible against gains I made from property sales within the UK? If a non-resident buys property in the UK and realises a gain on sale, would he be liable to any UK tax?

Assuming that you are domiciled in British Columbia or elsewhere outside the UK, the answer to your first question is no, whatever your residential status may be (because of sections 20 (7) and 43 (3) of the Finance Act 1965). The answer to your second question is: (a) Capital gains tax - no; provided he is not carrying on a trade in the UK (because of section 20 (2) of the Finance Act 1965); (b) Development land tax - yes, if liability arises because of article 18 (1) of the Canada-UK double taxation convention of September 8, 1978, and article 12 (1) of the old agreement of December 12, 1966); (c) Income tax - no, provided the purchase and sale are not regarded as comprising an adventure in the nature of trade.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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Tues. 27th March 1979

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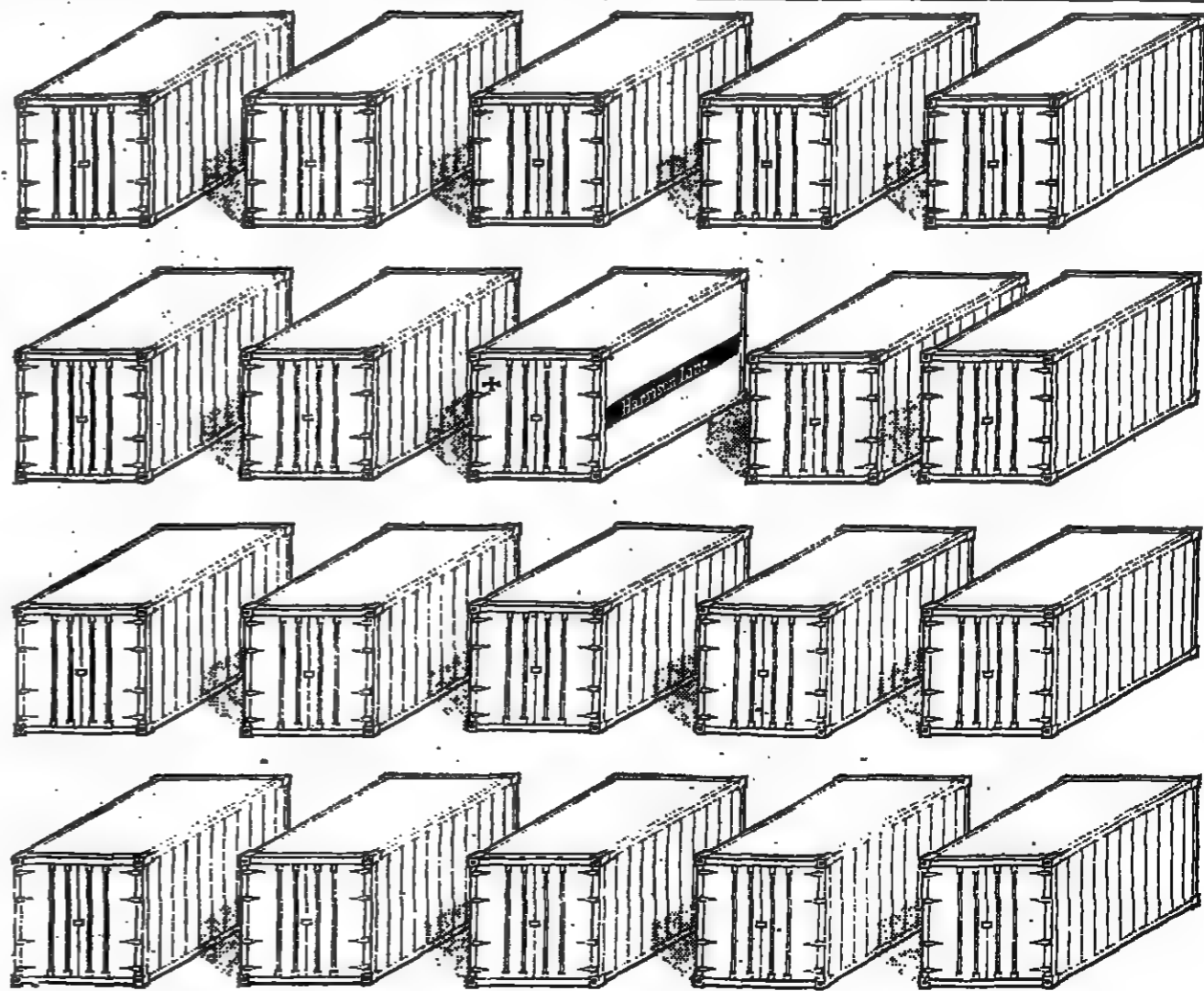


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FT



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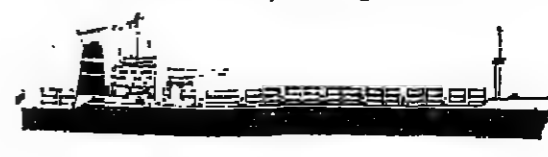
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But, because we believe personalities should aid progress, we have brought our name into several consortia; a development in shipping that uses the most modern methods.

For example, we've been happy to associate ourselves with such successful enterprises as Associated Container Transportation Ltd. (ACT) and Caribbean Overseas Lines (CAROL) a consortium which offers a direct cellular container service between Europe and ten Caribbean ports.

And we have containerised the South African trade in association with Ellerman City Liners - by forming the Ellerman Harrison Container Line (EHCL).

It is in these ways, as well as by running an efficient and personal shipping line, that we ensure regular customer satisfaction. Harrison: the name you can depend on to care for your cargo.



Harrison Line

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Bovis starts talks for sale of Canadian interest

GEI fails in Moss takeover

OIL AND GAS NEWS

Call for higher gas prices

RESULTS AND ACCOUNTS IN BRIEF

LISTEN AND LEARN

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as set out in Clause 11(a) and 5(c) of the Deed dated 21st September, 1977 in which the above Bonds were issued, it is hereby confirmed as follows:

On March 9, 1979 the Board of Directors of the Company resolved to make a distribution of shares of its Common Stock to the holders of record as of March 1979 in Japan, at the rate of 1 new share for each 20 shares held.

Accordingly, the adjusted price of Bonds will be adjusted effective immediately after each record date. The conversion price of the Bonds as of March 1979 is Yen 522 per share of Common Stock, and the adjusted conversion price is Yen 497.19 per share of Common Stock.

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**The Bank of Tokyo Trust Company
as Trustee**

at: March 14, 1979

Sharp rise in profits for General Mining

Anglovaal earnings on an upward path

foreshadowed by Mr. Basil Hervo, the chairman, in his annual statement last October. This indicated that most of the companies in the group were enjoying more favourable trading conditions.

This has continued for all the group's industrial interests, except for engineering, but the prospects for the rest of the year have been clouded by the rise

Annual turnover exceeds £485 million

"The progress made in 1978 was most encouraging"
Mr. Harry Smith, Chairman

Points from the Chairman's Statement

Group profit before tax for the year ended 31st October 1978 amounted to £123.0 million. This result, which is closely in line with last year's record figure of £124.8 million, was achieved in spite of the virtual elimination of the substantial benefits from currency movements, that were reflected in the results of the Rank Xerox companies last year.

I believe that these results indicate a good performance for the Group as a whole during a year when we faced particularly difficult trading conditions.

The three major sectors based in the United Kingdom — Industrial and Consumer Products, Leisure Services and Hotels, and Holiday Centres — all showed a significant increase in trading profits, averaging 38%. Moreover, the 1978 results excluded any contribution from Odeon Theatres (Canada), this interest having been disposed of at the beginning of the financial year.

Future Outlook

The progress made during 1978 was most encouraging and would have been more apparent had it not been for a temporary setback to our profitability in Australia.

Due to the progress we have already made, and the continuing improvements which we intend to achieve in the performance of the existing operations, we can now also seek more actively areas for expansion. I believe these will come through our management strength in Europe, Australia and North America and will take advantage of our skills in a number of advanced areas for technology and our wide experience of leisure activities. We recognise the importance of selecting those projects which are likely to have the most favourable long term impact on the Group as a whole.

We believe we are well placed to take advantage of the opportunities that are certain to present themselves in the future.

Financial Highlights

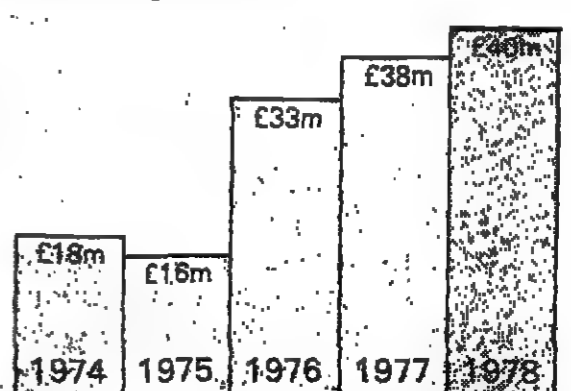
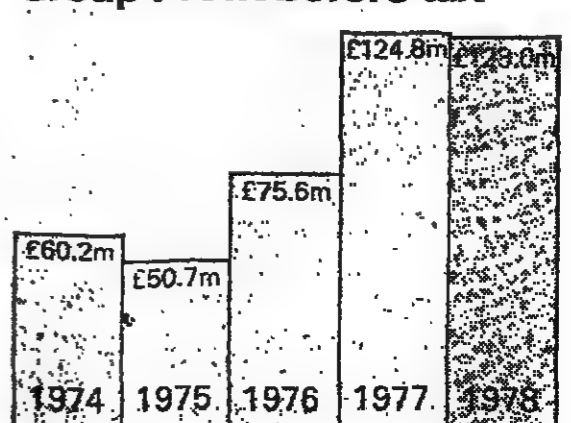
for the Year ended 31st October 1978

The Rank Organisation	1978	1977
	£ million	£ million
Turnover	485.1	442.7
Trading Profit	40.3	38.0

Associated Companies

(Share of profit before tax)	103.0	109.7
Group Profit before tax	123.0	124.8

Trading Profit

**Group Profit before tax**

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THE RANK ORGANISATION



GENERAL MINING AND FINANCE CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

PROFIT ANNOUNCEMENT—1978

SUMMARY	Year ended 31 December 1978	1977
Group income—before tax	R152,551,000	R113,875,000
—after tax	R124,253,000	R 86,261,000
Income attributable to ordinary shareholders	R 63,246,000	R 43,266,000
Earnings per share	151c	104c
Dividend per share	60c	45c
Dividend cover	2.5	2.3
Net asset value per share	1,354c	1,090c
Total number of shares	42,000,000	41,613,680
GROUP OPERATING RESULTS	1978	1977
Operating income	R800	R800
Income from investments	157,012	127,025
Surplus on realisation of investments	51,454	41,302
	12,379	5,545
	220,845	171,872
Less:		
Amortisation of mining investments and mining assets	10,089	9,559
Interest paid	38,400	30,746
Exploration and development costs	12,004	9,734
Provisions against investments, advances and other assets	7,401	7,958
	68,294	57,997
Group income before taxation	152,551	113,875
—after taxation	124,253	86,261
Group income after taxation	124,253	86,261
Outside shareholders' interest and preference dividends	61,007	42,995
Net income attributable to ordinary shareholders	63,246	43,266
Ordinary dividends	6,435	7,396
—interim—21 c.p.s. (18 c.p.s.)	16,380	11,100
—final—39 c.p.s. (27 c.p.s.)	36,231	24,770
Income retained	36,231	24,770
CONSOLIDATED BALANCE SHEET	1978	1977
Ordinary shareholders' interest	296,947	257,317
Outside shareholders' interest	330,886	313,000
Group equity	627,833	570,317
Own capital	188,815	160,410
Reference share capital—6%	500	500
Deferred taxation	39,038	36,796
Capital employed	856,186	768,023
Employment of capital		
Investments—listed	772,228	241,357
—(market value)	(647,438)	(445,123)
—unlisted	33,527	50,916
—(directors' valuation)	(52,971)	(136,981)
Fixed and mining assets	305,755	292,275
Intangible assets	433,486	377,877
Current assets	50,410	36,726
	522,774	376,908
Current liabilities	1,312,427	1,083,684
	486,241	315,661
	856,186	768,023

NOTES:

The surplus on realisation of investments includes a profit of R7.1 million arising from the sale by Union Corporation of its interest in Minera Frisco S.A. de C.V. During 1978 the group exchanged its unlisted investment in Impala Platinum Limited for a listed investment in Impala Platinum Holdings Limited. The company's ordinary shares of R2 each, were sub-divided into shares of 40 cents each, during 1978. The Group's capital commitments as at year end, were as follows: Contracts concluded, R29 million (1977 — R20 million); Contracts authorised by directors R195 million (1977 — R43 million).

On behalf of the Board

J. DE VILLIERS Directors
L. VAN DEN BERG

DECLARATION OF DIVIDEND

NOTICE IS HEREBY GIVEN that a final dividend No. 108 (Coupon No. 108) of 39 cents per share in respect of the year ended December 1978, has been declared payable to members registered at the close of business on 30 March 1979; and to holders of share warrants to bearer surrendering Coupon No. 108.

The register of ordinary shareholders will be closed from 31 March 1979 to 13 April 1979, both days inclusive.

Instructions involving a change of the office of payment will be accepted after 30 March 1979.

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 23 April 1979, or on the first day thereafter on which a rate of change is available.

Non-resident shareholders' tax of 15 per cent will be deducted on dividends payable to shareholders whose registered addresses are outside the Republic of South Africa.

Dividend warrants will be posted by the transfer secretaries mentioned below, on or about 4 May 1979.

The full conditions of payment may be inspected at or obtained from the head office or the offices of the transfer secretaries of a company.

By order of the board.

A. WILSON

Secretary

Head Office:
Hollard Street
Hannenburg 2001
P.O. Box 61820
Johannesburg 2107

Transfer Secretaries

Union Corporation Limited

Share Transfer Department

78 Marshall Street
Hannenburg 2001

P.O. Box 61357
Johannesburg 2107

1 March 1979

London Office:
Princes House,
95 Gresham Street
London EC2V 7EN

United Kingdom
Chartered Consolidated Limited
P.O. Box 102,
Charter House
Park Street
Ashford
Kent TN24 8EQ

INTERNATIONAL COMPANIES and FINANCE

SWISS BANKING

Business volume up—profits squeezed

BY JOHN WICKS IN ZURICH

SWITZERLAND'S BIG FIVE IN 1978

(SwFr m.)

	Swiss Bank Corporation	Union Bank of Switzerland	Crédit Suisse	Swiss Volksbank	Bank Leu
1978	1977	1978	1977	1978	1977
Balance-sheet total	63,244	55,710	60,951	56,118	47,599
Total deposits	33,586	30,368	36,388	32,014	28,865
Due to banks	22,244	19,307	16,607	16,870	12,929
Total loans	22,851	20,135	27,004	23,496	20,623
Due from banks	27,438	22,993	21,444	21,502	12,115
Net profits	223	237	250	266	220
Dividend (%)	10	10	20	20	16

BUSINESS volume of Switzerland's leading banks rose to a new record last year. The balance-sheet totals of the Big Five—Swiss Bank Corporation, Union Bank of Switzerland, Crédit Suisse, Swiss Volksbank, and Bank Leu—reached an aggregate of SwFr 188.75bn (about £55.6bn) at the end of 1978, by more than 9 per cent above the level of a year before. Since these five institutions alone account for about 60 per cent of the aggregate assets of the 71 Swiss banks regularly reporting to the National Bank, their importance to the national economy is substantial. Results published this year so far by other banking houses show that the growth of business was general: from the end of November 1977 to the end of last November the balance-sheet figure for the 71 was up by 7 per cent.

The Big Five are pleased with their further continued expansion in the face of a number of negative factors—such as conversion losses on foreign balance-sheet positions because of the rise of the franc or the partial decline of inter-bank operations. The real boost came from the swelling of clients' deposits, which rose in the case of each of the banks in question and more than made up for a fall in three of the balance sheets, of the five banks total. The sharp increase

of the non-bank creditor sector was brought about primarily by a rush on demand deposits—in part a shift from sight deposits—and increased savings and deposit accounts and outstanding bond debts. The Swiss seem out to beat their own records for thrift.

Growth is not considered a virtue in itself by the Swiss banks. Apart from the permanent problem of having to create new capital to meet equity ratio requirements, the financial institutions—whether banks, insurance companies or pension funds—are finding it more and more difficult to invest the money flowing into their coffers. Not all of the increase in non-bank deposits could be used for lending, while actual return on assets has been sinking fast.

Higher balance-sheet totals do not necessarily lead to a corresponding improvement in earnings. Last year, only Bank Leu—by far the smallest of the "Big Five"—managed to increase net profits. For the first time in years there was a marked overall drop of earnings: from the record sum of SwFr 809m for the five leading commercial banks attained in 1977, the composite sum declined to SwFr 782m.

There were a number of reasons. First of all, income from securities fell in the case of all five banks except Swiss

Volksbank, the result of several causes including falling yields from bond holdings and of the exchange-rate situation.

The fact that interest spreads have been at an all-time low in Switzerland had a corresponding effect on net interest income. Generally speaking, the only real improvement of the profit and loss account of most banks was to income from foreign-currency and precious-metals trading, a result of last year's high turnovers.

Even there, the profits earned were relatively modest in consideration of the actual volume of business handled. A recent estimate puts total foreign-exchange turnover by Swiss banks in the region of

SwFr 2,000bn a year. An idea of the profitability is given by a recent announcement by Bank Julius Baer, which—as a thoroughly successful banking house—in 1978 booked a net income of SwFr 5m from a foreign-currency turnover of about SwFr 30bn. The big banks declined to disclose their turnovers, but the earnings ratio will probably not be very different.

Despite the less satisfactory showing of bank profits last year, all the five biggest commercial banks with a single exception have kept up their previous year's dividend. The exception is Swiss Volksbank, whose shares suffered last autumn from rumours of a pend-

ing drop in dividend. However, the decline from a distribution of 16 to 14 per cent was finally carried through without arousing obvious ill-will from the stock market. It may be that other banks are secretly grateful to the Volksbank for having dared to pioneer a more flexible dividend policy.

It is hard to say what 1979 will bring. Much depends on the monetary situation and, less directly, on official measures which may be taken in connection with it. All in all, though, it looks as though this year could prove more favourable than 1978. What appears to have been a turn in the tide became apparent in the final months of last year—as a result

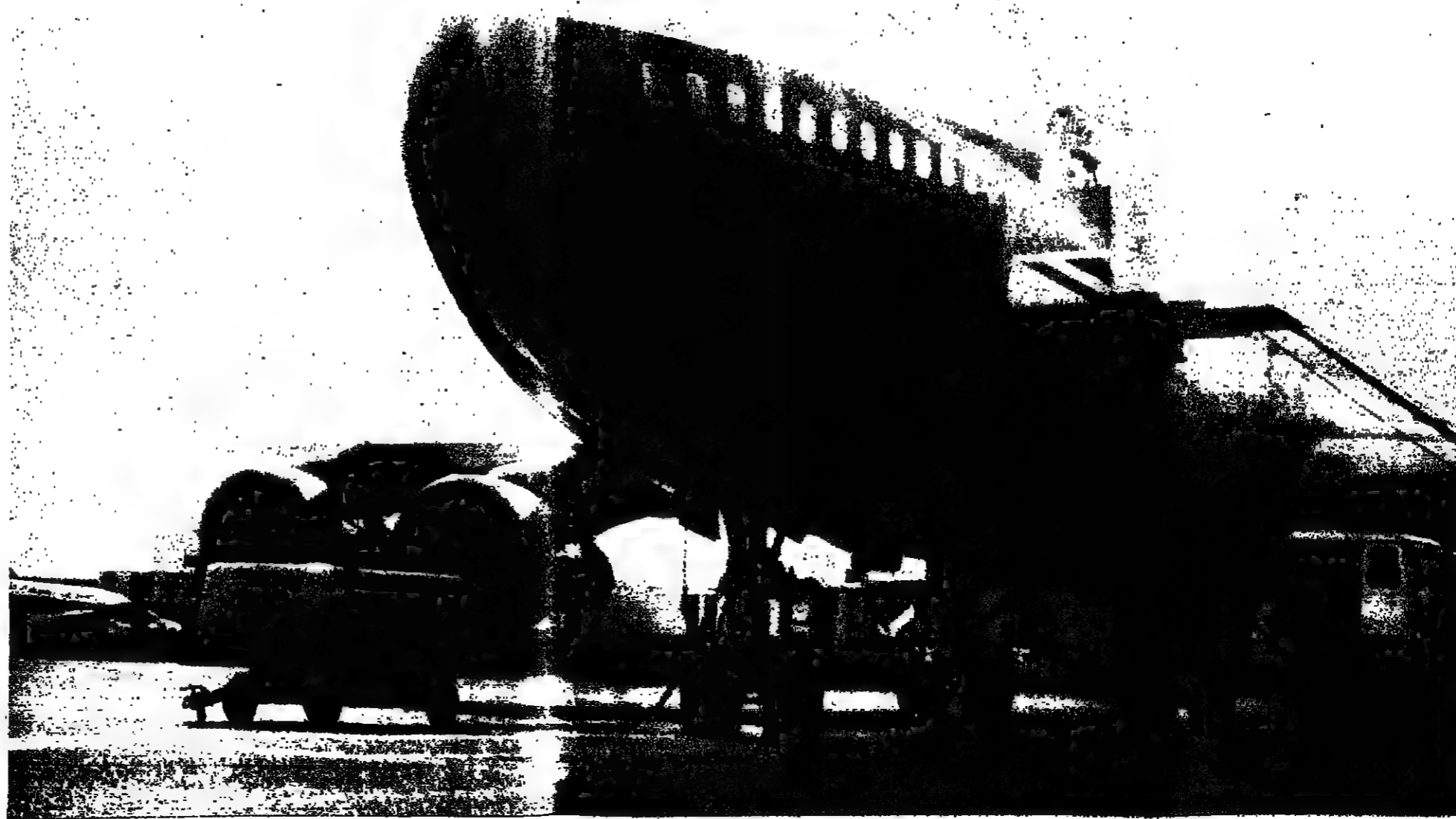
of which Union Bank was able to show a net-profit drop of "only" 6 per cent instead of the 10 per cent decline which had been expected.

The New Year got off to a good start with the lifting in January of the 11-month-old restrictions on Swiss-franc portfolio investments by non-residents. The Swiss franc itself is remarkably stable, and bankers are increasingly optimistic that another upswing of the exchange rate is not pending.

There also are signs of higher interest rates and, with them, better spreads. Union Bank's managing director, Dr. Peter Gross, speaking in Zurich in February, already felt he could forecast an improvement of profits for next year—but not back to the level reached in 1977. Crédit Suisse for its part expects to be able to pay an unchanged dividend on higher capital.

Whatever the case, and despite differences in individual points of policy, it seems probable that Switzerland's top banks will develop in 1979 at more or less the same rate. It was, Mr. Rainer Gut, of Crédit Suisse said, a coincidence and not the result of a "concerted action" that net profit had fallen by the same rate of about 6 per cent for the leading four banks. But, he added, "in principle we all have the same base to work on."

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Higher payment from Stora Kopparberg

BY VICTOR KAYETZ IN STOCKHOLM

SWEDISH forest products and power group, Stora Kopparberg, reports pre-tax profits of SKr 144m (\$33m) after financial costs but before extraordinary items for 1978, the first year following the disposal of its steel and mining operations to the new, half-state-owned SSAB steel company. A dividend of SKr 8.50, up from SKr 7, is proposed.

Group sales in 1978 were SKr 2,970m (\$683m), compared with SKr 2,640m the preceding year for the corresponding portions of Stora Kopparberg and SKr 4,160m including the portions transferred to SSAB.

Before the disposal of its steel and mining operations, Stora Kopparberg recorded a 1977 pre-tax loss of SKr 127m. The group easily exceeded the prediction in its eight-month report of earnings around SKr 100m after extraordinary items, reaching a figure of SKr 189m, against a 1977 loss of SKr 88m.

Operating profit last year was SKr 326m, compared with SKr 68m in 1977. But because the latter figure included SKr 297m in operating losses by units later transferred to SSAB, the 1978 result for remaining units in fact represents a decline of SKr 39m.

Operating profit for forest products dropped from SKr 191m to SKr 94m while earnings from power plants rose. In its preliminary report, Stora Kopparberg said the market situation had improved for all the company's products and by year-end all factories were working at full capacity.

● Rauma-Repola's preliminary report for 1978 is slightly less ebullient than its final for 1977, with still optimistic compared with the annual reports of most of the major manufacturing companies in Finland, writes Lance Kyrwath from Helsinki. Rauma maintained its leading position in the Finnish export rankings last year, lifting exports to FM 2.7bn (\$873m), or 82 per cent of the net sales.

The forest industry division increased its share of total turnover for the first time in three years, from 42 to 46 per cent. But the economic result of this sector was still "unsatisfactory." The metal sector, engineering and shipbuilding, experienced a sharp reduction in orders and faces uncertain prospects in the short term.

New orders were down about 33 per cent to FM 600m at the end of last year.

Exchange rate changes check Pluess turnover

BY JOHN WICKS IN ZURICH

HINDERED BY exchange-rate changes, group turnover of the Swiss chemical trading concern Pluess-Stauffer fell by 4.1 per cent from SwFr 747m to SwFr 717m (\$439m) last year. Business was also "negatively influenced" by a marked decline in prices of important product groups on the home market.

Parent-company net profits nevertheless managed to rise from SwFr 4.05m to SwFr 4.59m over the year and the Board recommends a maintained dividend of SwFr 250 per share. Transfers to special reserves for foreign commitments are to rise from SwFr 3m to SwFr 4m.

Outside Switzerland, Pluess reports "gratifying" increases in sales in the U.S., France and Spain.

● Net profits of Norddeutsche Bank rose slightly from SwFr 11.5m to SwFr 11.7m last year after an 8 per cent increase in balance sheet total to SwFr 1.5bn. The bank, in which the London-based consortium bank Nordic Bank holds a 60 per cent shareholding, is to pay an unchanged dividend of 10 per cent.

The 1978 results show a fall from SwFr 18m to SwFr 17m in the interest balance, but otherwise there are increases in earnings from bills and money-market papers, commissions and foreign exchange and precious metal trading.

Berne insurer lifts income

BY OUR ZURICH CORRESPONDENT

PREMIUM INCOME of The General of Berne Insurance Company (Berne) Allgemeine Versicherungs-Gesellschaft) rose by 4.5 per cent last year to SwFr 241.7m (\$145m), with net profits of SwFr 5.58m.

Fire and elementary-loss insurances, as well as burglary and theft business, were unsatisfactory, while operations in third-party, casualty and transport insurances developed well.

The board is to recommend an unchanged dividend of SwFr 85 per share, plus a SwFr 5 jubilee bonus, while SwFr 10 each will be paid on the dividend certificates of the affiliates Bernese Life Insurance Company and Alba General Insurance Company.

Navigazione eats into capital to cover loss

By Our Financial Staff

A SUBSTANTIAL write-down of capital to cover trading losses expected for 1978 is announced by Compagnia Italia di Navigazione, the Italian state-owned shipping company.

The group's losses for the past year are expected to emerge at L1.5bn (\$17.5m) with actual losses for the first nine months — now revealed — already totalling L1.4bn. In 1977 the shipping group's total deficit was L2.3bn.

Because of the latest deficit, Navigazione is to write-down its capital by L1.95bn — to L4.5bn from L6.45bn.

The board reports that group losses would be reduced in 1979 following a reorganisation that included the suspension of services to the Mexican Gulf.

● Sharply higher profits and dividend for 1978 and the allocation of funds to purchase company shares are reported by Lepetit, the Italian pharmaceutical company, controlled by Dow Chemical of the U.S. Profit rose to L22bn in 1978 from L12.5bn previously.

The company is to distribute a dividend of L20 per Ordinary share and L1,000 per preferred share. These payments compare with L20 per ordinary and L200 per preferred in 1977. The board has also decided on an allocation of L10bn to purchase company shares on the Italian stock market.

Granges secures reduction of losses

BY WILLIAM DUFFLORCE IN STOCKHOLM

GRANGES, the Swedish metals and engineering group which has been undergoing a thorough restructuring under its new chairman and managing director, met its 1978 target of reducing pre-tax losses to under SKr 100m. It will waive the shareholders' dividend for the third year running but expects to show a profit in 1979.

The pre-tax result after extraordinary items for 1978 was SKr 81m (\$18.6m), an improvement of more than SKr 700m over the 1977 result. The pre-tax loss before extraordinary items was cut from SKr 745m in 1977 to SKr 207m last year.

Group turnover was SKr 5.14bn (\$1.38bn), which is almost unchanged from the previous year. About half now derives from the building materials and the building industry, while the engineering and automobile industries contributed about SKr 2bn.

The sharp reduction in the pre-tax loss stems mainly from the sale of the steel and mining operations to SSAB, the new semi-State steel company, and the winding up of the shipping operation. The sale of other units helped to boost extraordinary income to SKr 126m while lower foreign exchange losses also contributed to the improvement.

After a book gain of SKr 48m from the sale of ships the group reports a net loss of SKr 83m compared with a loss of SKr 500m in the previous year, while the parent company shows a net profit of SKr 6m against a 1977 loss of SKr 505m.

The group trading profit before depreciation was transformed from a loss of SKr 143m in 1977 to a gain of SKr 213m

and Mr. Bo Abrahamsson, the managing director, said yesterday that Granges now had good prospects of being able to manage on the surpluses generated by its operations.

This year there will be an automatic improvement of SKr 100-125m from the winding-up of the shipping operation and from the interest payable on the settlement with SSAB. Granges has also made considerable progress in solving two financial problems. It has reduced its foreign exchange risks by cutting its Swiss franc loans by SwFr 40m and its dollar loans by \$10m.

It has also been able to pay off a considerable part of the debt on the steel company, with which it was left after the transfer to SSAB thanks to the resources released by the sale of asset and the reduction in

working capital. Loans of SKr 679m were repaid last year while new loans taken up totalled SKr 497m.

At the end of the year the group held liquid assets of SKr 489m which was SKr 50m higher than a year earlier. Capital investments during the year amounted to SKr 240m including the value of the fixed assets in the companies acquired in line with the programme of strengthening the metalworking and aluminium operations.

Mr. Abrahamsson regards 1978 as "the most eventful year in Granges' history," marking the first phase in its regeneration. Its big losses were eliminated. The remaining contracting and management undertakings still had profitability problems but a more modern, market-orientated enterprise was now taking the field.

Swiss cut new issue calendar for bonds

By Jeffrey Brown

THE SWISS capital market authorities continue to lower their sights in relation to the amount of new paper that the domestic bond market can be expected to absorb.

For the second quarter of this year the new issue calendar has been set by the Swiss Capital Market Commission at SwFr 1.3b (\$778m), excluding conversion issues. This compares with a figure of SwFr 1.35bn in the opening three months of 1979 and with SwFr 1.6bn for the second quarter of 1978. Against the latter figure the latest borrowing target represents a decline of almost a fifth.

In recent weeks the Swiss bond market has been noticeably depressed. An oil price led upsurge in investor fears for the inflation rate—which the latest cost of living indices have tended to confirm—have severely unsettled market sentiment.

As a result, the long term 21 per cent bond issue now looks a dead duck. In Zurich bond market terms, the recent 21 per cent issue over 12 years from the Swiss Government was an effective flop (it was only just subscribed) and dealers now emphasise the need for coupons of 3 per cent or 3½ per cent for maturities of ten years and upwards.

The latest borrower, the Union Bank of Switzerland, has opted for safety and tagged a coupon of 3½ per cent to its SwFr 100m offering over 11 years at par.

In the 12 months to the end of January 1979 net new money raised on the Danish capital market rose by more than a third. At DKr 56bn (\$10.76m), net debt compared with DKr 41.7bn in the same period a year earlier.

The main reason for the upsurge lies with the increasing level of government borrowings. In the 12 months, government debt almost doubled to DKr 21.1bn at which it represents some 37½ per cent of total borrowing, against 27 per cent a year earlier.

Earnings show slight drop at Mid-Med Bank

By Geoffrey Grims in Valletta

A MODEST decline in earnings is reported for 1978 by Mid-Med Bank, the Maltese bank controlled by Barclays International and the Maltese Government.

At the pre-tax level, profits emerged at M£1.1m (\$32m) compared to M£1.2m. Dividends of M£445,000 are to be paid.

In its statement the bank announced that total shareholders' funds by December last year had grown to M£5.5m compared to M£5m. This week the Maltese premier, Mr. Dom Mintoff, announced in parliament that the government was seeking to buy out Barclays' shareholding in the bank.

French chemicals group in red

BY TERRY DODSWORTH IN PARIS

CONTINUING over-capacity in the European plastics industry has combined with escalating costs on a new chemicals plant project to keep in the red one of France's leading chemical companies. Cdf Chimie reports losses of FFr 400m (\$93m) for 1978.

These gloomy results follow heavy losses in 1977, when Cdf, owned by the French state coal-mining concern, Charbonnages de France, had a consolidated deficit of FFr 189m.

Results of the operating company have been equally depressing during the two years, with losses falling to FFr 200m last year.

The group says that its results will improve this year because of an upturn in most of the main areas of its business. It is also taking steps to reduce administrative costs and is cutting its labour force through early retirement measures.

The company's statement of these provisional results makes it clear that Cdf has experienced a difficult year both in terms of sales volume and price levels. To this has been added a heavy increase in financing costs in its Concorde division which is building a petrochemicals plant at Dunkirk.

Final costs on the Dunkirk project of which the investment was estimated at FFr 1.2bn, should become clearer in May. One of the other main divisions, APC, a nitrogen producer, is progressing with its programme of recovery and should be back in balance next year, the group says.

● Net 1978 losses for the steel group Sclenor are expected to be around FFr 1bn (\$233.5m) compared with FFr 2.28bn in 1977. Mr. Jacques Mayoux, the chairman, told a meeting of shareholders. In 1979 losses should be reduced further to FFr 550m, he said.

Giles Merritt, in Brussels, looks at the future of the European Unit of Account

Uneasy days for the currency cocktail

WILL THIS week's introduction of the European Monetary System mark the revival of international bond issues in European Units of Account, or will it ensure that their faltering 5 to 7 per cent share of the Eurobond market fades away to nothing?

The issue is already being hotly debated and now Belgium's Kredietbank has entered the fray.

Kredietbank is today launching as lead manager a 40m EUA (\$85m) loan for Siet, the Italian state telecommunications holding company. The Belgian bank is firmly pegging the issue to the close of the Paris summit of the European council and the formal launching of EMS.

Kredietbank is convinced that

EMS will provide a strong boost for EUA issues.

Apart from being the largest of the big three Belgian banks and the sixth most important of all Euro-issue managers in terms of volume, Kredietbank has a third claim on the market's attention as a house that tends to get these things right. Just 16 years ago it floated for Portugal's Sacer oil company the first ever Euro-dollar bond, establishing Brussels as at least the cradle of the Eurobond market.

Kredietbank is no stranger to EUA issues. During the past 15 years it has participated in almost all the 32 such Eurobonds issued that now total \$2bn. Its argument now though is that the monetary stability

that EMS will produce—judging by its de facto success so far this year—will make the EUA a better financing instrument than in the past.

Kredietbank says that it is in fact geared up to arranging loans in the new European Currency Unit (ECU) which now takes over from the Snake's European Monetary Unit of Account (EMUA), which defined the value of the EUA, as the common denominator used to express currency values. But it frankly doubts that ECU bonds will materialise soon, if at all. It indicates that it would be willing to manage such an issue provided the borrower guarantees the extra costs that Kredietbank calculates at around 1½ per cent.

One selling point for EUA bonds is that, thanks to a set of complicated rules, borrowers are indemnified against the revaluation of most leading European currencies, although they are not covered against any devaluation of their own currency. The EUA is not a simple basket of currencies, while the ECU is.

But with the ECU built as a future European currency, Kredietbank, along with other established managers of EUA issues, is having to stress the advantages of the EUA, and its chief problem may be in explaining to the market the subtle superiority it believes the EUA still enjoys.

The bank maintains that the fact that the ECU is in itself a currency basket represents a

serious disadvantage. Institutional investors, it claims, prefer to decide the weighting of any package themselves, while the ECU basket is inherently less stable than the EUA. Kredietbank feels that the ECU's role would best be restricted to that of numeraire for the EUA, which at present is the position.

The EUA will be defined in value against the ECU and this conversion rate will be redefined whenever member currencies of the EMS decide to devalue or revalue. The advantage to EUA borrowers is that so long as currencies remain within the bands of flexibility laid down by the EMS the exchange rate of the EUA into any participating currency remains constant.

Uniwert pays same again

By Our Zurich Correspondent

UNIWERT, a mutual fund for securities managed by Folag Fondselekt AG, is to pay an unchanged gross dividend of SwFr 3 per certificate for the year ended January 31. The fund states that it continued to develop well, with certificate circulation up by a further 35,988 to 162,732 units and overall assets by SwFr 3.6m (\$2.15m) to SwFr 13.5m.

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SPECIAL ANNOUNCEMENT

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The Post Office

Good start to year for Johannesburg SE

BY JIM JONES IN JOHANNESBURG

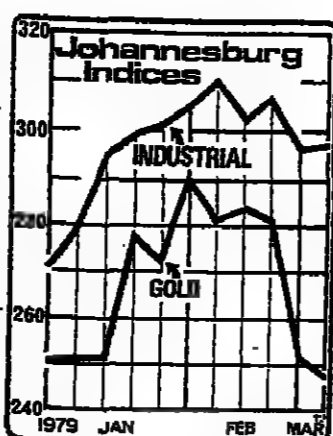
TWEEN New Year and mid-February, Johannesburg outperformed all other major stock markets, and by a wide margin. After starting the year at 17, the Rand Daily Mail 100 Industrial Index peaked at 29 on February 13. The M Gold Index started 1979 at 254.2 and reached a high of 270 on February 7. By Monday the RDM 100 was back to 27, and the Gold Index to 258.8. Both have clearly been helped by the sharp fluctuations in the bullion market. But the rest of Johannesburg investors are apparently paying attention to the stream of excellent results from companies in South Africa than to negative news of the miners' strike and setbacks to investment in South West Africa (Namibia).

Decline at Middle East bank

Our Financial Staff

THE BANK OF the Middle East, the subsidiary of Hongkong and Shanghai Banking Corporation, has announced that 1978 profit fell to \$2.82m (\$m) from \$6.5m in 1977. The profit fell reflected a reduction in the level of business activity in the areas in which the bank operates and the use of the Saudi Arabian lease on June 30 to the 10-year Saudi British Bank in which it retains a 40 per cent equity holding. Mr. Hutson, the chairman, said that dividends from the Saudi Bank have been taken against a dividend of \$5.5m in the previous year, was paid to the shareholders. The appreciation of sterling in 1978 reduced the profit contribution from BME's branches some 6 per cent. In addition, previous year's figures had been inflated from surplus provisions earlier made in view of the transfer to the Saudi Bank of assets and liabilities in Saudi Arabia, and appreciation of sterling in the Middle East. The balance sheet liabilities fell in current period other accounts from £1.63m to £1.37m. Dividends fell 21 per cent to \$2.82m, and stood at about 47 per cent of current liabilities. Bills and certificates of deposit, almost unchanged over year, were 11 per cent of total liabilities. Dividends have traditionally been the area in which the bank has to deploy deposits from its Eastern sources. However, recessions, combined with transfer of the Saudi Arabian business, made inevitable a fall in the dividend ratio from 51 per cent to 47 per cent, Mr. Hutson commented.

burg investors, however, is the narrowing financial rand discount. This is an inevitable consequence of implementation of the De Kock Commission's proposals, which by broadening the uses to which the old Securities Rand could be put to include investments other than listed securities, increased demand for the (re-named) Financial Rand. If anything, overseas demand for South African securities has declined during the past month or two. But this has been more than offset by overseas investors looking to the Financial Rand pool for investment in plant and machinery. Effectively, investors in real, as opposed to paper, assets can now invest through Financial Rand at a discount on the commercial rand rate of 1.18 to the rand. Since March 1, demand has lifted the Financial Rand rate



from 68 U.S. cents to the current rate of 78.5 cents. The mechanics, as far as the stock exchange is concerned, are simple. As the Financial Rand rate rises and its discount

on the commercial rand narrows, South African shares become more expensive to foreigners. If South African shares are not to rise in terms of overseas currencies, then Johannesburg share price quotes have to fall. This is exactly what has been happening, as evidenced by the moves in the indices since mid-February. Johannesburg brokers are virtually unanimous in thinking that the Financial Rand rate will hit at least 80 cents by Easter—and that will have a further short-term dampening effect on such stocks as De Beers, golds and platinum which are widely held overseas.

The question being asked, however, is how far the South African Reserve Bank will let the Financial Rand rate rise. One of the objects of increasing the scope of the two-tier market is to encourage foreign investment through an attractive discount. So though no policy statement has been or is likely to be made by the Reserve Bank, a widely held view among Johannesburg brokers is that the bank will try to dampen the rate if it gets too far above the 80 U.S. cents level. Paradoxically, though, a strengthening Financial Rand has a short-term depressing effect on Johannesburg, some brokers see a combination of this and a strengthening gold price as having the potential to set the market off on another leg of its bull run. London brokers have been putting out a spate of recommendations on gold shares. At the same time, Johannesburg brokers feel that investors tend to prefer investing in countries with strong currencies, which they feel, is exactly what South Africa is becoming with a rising Financial Rand. If so, Johannesburg's rise may not have been simply a dash in the pan.

Japan Line seeks another loan moratorium

BY RICHARD C. HANSON IN TOKYO

JAPAN LINE, the troubled major shipping company specialising in tankers, has asked its major creditors for another moratorium on loans in Y2.5bn (\$113m) falling due in the fiscal year beginning this April. It is asking for special dispensation from the banks for the second year in succession. But prospects for the company are improving, and the breather provided under the leadership of the Industrial Bank of Japan has allowed it to cut its debts and to reduce its losses for the current fiscal year.

Operating losses for the year ending this month will be about Y180m (\$85m), or Y6.7bn less than in 1977-78. The net loss before tax will be down by Y5bn to Y12.5bn as a result of a significant improvement in its tanker operations, through cutbacks in payments for chartered ships and steps taken by the Government to lease five VLCC oil tankers as emergency storage facilities.

Japan Line also reached agreement with the Y. K. Fao

World Wide Shipping Group to delay payments of Y2.5bn in charter fees during the year. Sir Yue-Kong Pao, the Hong Kong-based shipping tycoon, has been in turn backed by the IBJ, which has also made him a director.

Japan Line's financial troubles became critical in late 1977 and by the spring of 1978 the banks, including the IBJ, the Government's Japan Development Bank, and numerous other commercial banks and insurance companies, had agreed to financial rehabilitation. A total of Y47.8bn in loans due will have been covered by moratorium by next year.

The restructuring package included the selling of ships and assets, a reduction in charter payments and the laying off of crew, who were absorbed by a banking group.

The loans falling due next year include Y9.4bn under the Government-sponsored ship-building programme and Y4.5bn borrowed to finance ships to be

operated by offshore companies in other countries.

During the next fiscal year, Japan Line will be selling additional tramp steamers, making sales of securities and other assets, and further trimming of its overall operations.

With the rationalisation measures and the loan moratorium, Japan Line intends to halve its pre-tax deficits to Y5.8bn for fiscal 1979, from its estimated loss of Y12.5bn for fiscal 1978. The company expects a considerable improvement in its tramp line through its drastic cutback of tramp ships, helped by a pick-up in the tramp market.

In addition to two tankers repurchased from the World Wide Shipping Group at the end of last year, the company is scheduled to buy back another three tie-in ships, which is expected to cut the interest payment burden sharply. The line expects to save

Y4bn by repurchasing the three ships. Tie-in ships are registered abroad and chartered back with foreign flags, so as to employ cheaper, foreign, crew. The Japanese company pays chartering fees through borrowings from foreign banks or Japanese banks' overseas subsidiaries, at an interest rate of around 12 per cent. The Japanese Export and Import Bank charges only 5 per cent on foreign currency loans to buy back tie-in ships, however, which covers the higher wage costs of Japanese crew—three times that of South East Asia.

Repurchasing of tie-in ships is also expected to give job opportunities for the company's surplus seamen. The company is planning to sell 12 cargo ships for fiscal 1979 and nine vessels for 1980, which it is feared, will produce excess crews of about 850. The company is meeting the situation by shifting crewmen to other divisions, by voluntary retirements, and by lay-offs.

Malaysian side boosts Hume Far East

BY H. F. LEE IN SINGAPORE

HUME INDUSTRIES (FAR EAST) has reported a 16 per cent improvement in group post-tax profit to \$85.5m (\$85.5m) for the six months to December. The increase was achieved on a 13 per cent increase in gross sales, to \$974.62m (US\$34.4m).

On a pre-tax basis, profit increased at the higher rate of 21 per cent to \$91.02m. Hume said that its main operations in Singapore were severely affected by increased competition and higher costs, and consequently had much lower results despite improved sales. Hume's Malaysian operations, on the other hand, recorded higher sales and profits. Hume expects its second-half results

to be comparable with those achieved in the first half.

With the overall improved performance, Hume increased its interim gross dividend from 17 per cent to 19 per cent, to 6 per cent.

ROBINSON and Company, the Singapore retailer, recorded a marginal improvement in profit in its first-half pre-tax profit for the six months to December was up 1.7 per cent to \$94m (US\$1.8m) on against a 9 per cent rise in turnover to \$24.57m (US\$1.3m), writes H. F. Lee from Singapore.

Robinson has also reported an extraordinary gain of \$231,000 on the sale of property. Group pre-tax profit for the whole year, the company said, is expected to be maintained at the previous year's level of \$87.22m. An unchanged gross interim dividend of four per cent has been declared.

Magnum diversifies
By Wong Sulong in Kuala Lumpur
MAGNUM CORPORATION, the Malaysian lottery organisation,

has taken up 88 per cent of the equity of Mimaland Berhad, a leisure company, as part of a diversification programme. Magnum is paying 1.42m ringgits (U.S.\$3.3m) for 7.1m shares (1 ringgit each) of Mimaland, which operates a sprawling, but unprofitable, tourist complex outside Kuala Lumpur.

Magnum said that it would re-develop the Mimaland complex, including in this the upgrading of its existing facilities such as the swimming pool, boating club, chalets, and orchid farmers. It expected Mimaland to turn in a profit in its third year. Meanwhile Timwan Holdings, one of the biggest consumer goods distributing agencies in Malaysia, has reported better results for last year, in line with the increase in private consumption.

Pre-tax profits rose from 4.1m ringgits to 5m ringgits (U.S.\$2.3m), with sales rising from 35m ringgits to 70.8m ringgits (U.S.\$32.3m). The directors are recommending a final dividend of 17.5 per cent.

Matsushita announces bond details

OSAKA — The Y50bn (equivalent to some \$250m) of unsecured convertible bonds to be issued by Matsushita Electric Industrial Company next month on the Japanese capital market, will have a maturity date of April 28, 1985, and will be priced at par. Payment is to be made on April 25. The coupon and conversion price have yet to be fixed.

Plans for the issue were announced at the end of February. It will be the first issue of unsecured bonds by a Japanese corporation since 1933. Matsushita said that the bond will be convertible into its common stock shares after June 21 this year. The money raised through the issue will be used for equipment investment, research and development expenses and overseas businesses. Sumitomo bank will be the chief commission bank, while Yamaichi Securities Company will be the lead manager. Reuters.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-8212)

Greenwich High Road,
Greenwich SE10 8NL

Rate 6.45%. Share
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on term shares. Monthly
on Shares 8.10%.

LONDON GOLDHAWK
(01-995 8212)

15/17 Chiswick High Road,
London W4 2NG.

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Rate 7.75%.

Share Accounts 8.50%

Term Shares
9.25%, 2 yrs. 9.00%, 1 yr.
Includes 0.25% Centenary
Bonus throughout 1979

CLIVE INVESTMENTS LIMITED
Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101.
Index Guide as at March 6, 1979 (Base 100 on 14.1.77)
Clive Fixed Interest Capital 145.42
Clive Fixed Interest Income 118.43

LLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London, EC3V 3PB. Tel: 01-623 6314.
Index Guide as at March 8, 1979
Capital Fixed Interest Portfolio 108.55
Income Fixed Interest Portfolio 102.52

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LIMITED
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FINANCIAL TIMES

INDUSTRIAL ARCHITECTURE AWARD 1979

Applications are now invited for the 1979 award for an outstanding work of industrial architecture in the United Kingdom. This is the thirteenth year of the award, which has proved a notable success, attracting over 800 entries for judgement in that time.

Entries The award is open to all designers of industrial buildings, both within the architectural profession and outside it. Nominations of buildings together with particulars, must be received not later than May 4, 1979.

Conditions Nominated buildings must have been completed within the two years ending December 31, 1978. A building may be nominated (subject to the time limitation) on two successive years.

Nomination Forms together with all particulars and conditions can be obtained directly from the Financial Times.

The award will be announced in December, 1979.

Please send me a nomination form and further details of the Industrial Architecture Award.

Name

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10 Cannon Street,
London EC4A 4BY

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